THE (NON-)FINANCIALIZATION OF URBAN DEVELOPMENT IN THE LOW COUNTRIES

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Dissertation presented in partial fulfilment of the requirements for the degree of Doctor of Science (PhD): Geography

June 2017

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Acknowledgements

From an academic perspective, I was very fortunate to be part of the international research-project—the Real Estate Financial COMplex (REFCOM)—under the inspiring leadership of Manuel Aalbers and funded by the European Research Council (grant number: 313376). This worked out very favourably on multiple levels of scale: at the peer-level, it was very fruitful to work and have fun, with other PhD-students who were engaging with similar topics and encountering comparable issues; at the 'financialization of real estate' level, it was very inspiring to interact with leading and up-coming scholars, not only at our own REFCOM-seminars, but also at various conferences and workshops; at the 'getting-your-PhD-finished-within-4-years-level' it was great to have a focused research framework and clear theoretical focus; at the geographical level the project brought me to places ranging from Waregem and Nieuwleusen to Chicago; at the social level this allowed me to frequently visit 'cafés, 'kneipes', 'bistros', 'bars', 'kroegen' and restaurants to have lively and inspiring conversations about a wide range of topics and evenings in interesting places feeling like a 'Berliner' or 'Parisian'.

As such, this PhD-project has been a very inspiring period and I am very grateful to the European Research Council and the KU Leuven in facilitating this research-project and giving me the opportunity to study a topic I am fascinated in—the interaction between 'the urban' and 'finance'. This not only allowed me to learn a lot, but I was also able to share this knowledge with a large academic and non-academic 'crowd' through popular and scientific publications.

Many scholars have given me, through their writing and comments on my own work, inspiration and motivation to complete this project. So, thanks a lot for all those who contributed to the intriguing debate on financialization (of the built environment)! This included, first and foremost my main supervisor, Manuel Aalbers who made the REFCOM-project possible, and my co-supervisor Stijn Oosterlynck: our internal debates/conversations and your many comments, suggestions and ideas were crucial to me being able to complete this PhD thesis. Also, other academics, including Rodrigo Fernandez, Gertjan Wijburg & the rest of the REFCOM-gang, Frank Moulaert, Antoine Guironnet, Cody Hochstenbach, Clemens de Olde and some (but definitely not all) anonymous reviewers have had a substantive impact on my work through their sophisticated comments and critiques: thanks a lot! Furthermore, thanks to all the interviewees listed in Appendix I: without your cooperation, open attitude and constructive feedback, my findings would have been much less.

From a personal perspective it would be a bit odd for me to thank my friends and family as my PhD-project was generously funded and I could thus approach it as a 'regular' job that not required any form of extra support.

So, thanks for just being there and just being you!

Nederlandse samenvatting

Tijdens de krediet crisis in 2007 was het wereldwijde financiële systeem dichtbij een ineenstorting en staten besloten 'hun' financiële instellingen te redden. Een voorname reden voor deze bijna ineenstorting is de diepe motivatie van financiële actoren om illiquide activiteiten en bezittingen zoals vastgoed om te zetten in financiële bezittingen: de continue drang om het financiële domein te vergroten. België en Nederland (de Lage Landen) waren geen uitzondering met grootschalige reddingsoperaties van bank(verzekeraars) zoals Fortis en SNS. Als onderdeel van de Eurozone volgden beide landen ook het standaard recept voor de daaropvolgende Grote Financiële Crisis voorgeschreven door de Europese Centrale Bank bestaande uit ruim monetair beleid dat een schuld gedreven herstel stimuleert vooral via kapitaalintensieve activiteiten zoals vastgoed. Desalniettemin, waar in Nederland, synchroon met financiële markten, stedelijke ontwikkeling tot stilstand kwam bleef de Belgische nevel gestaag groeien en vastgoedprijzen stijgen.

Om dit verschil te verklaren stelt deze dissertatie 'financialisering' - de toenemende dominantie van "financiële actoren, markten, gebruiken, maatstaven en verhalen" (Aalbers, 2017a, p. 3) - centraal. 'Finance' en vastgoed zijn tegelijkertijd meer bepalend geworden binnen nationale en stedelijke politieke economieën en meer met elkaar verweven geraakt. Ook stellen (semi-)publieke instituties zich steeds competitiever en ondernemender op. Een focus op stedelijke ontwikkeling zet het analyseren van veranderingen binnen en tussen vastgoed, finance en de staat centraal. Dit vereist de analyse van niet-financiële bedrijven zoals vastgoedontwikkelaars, financiële actoren zoals banken en hun interactie met staatsorganen om het hedendaagse kapitalisme beter te begrijpen.

De dominantie van finance over Anglo-Amerikaanse stedelijke ontwikkeling is uitvoerig onderzocht. Echter, vergelijkende studies in continentaal Europa en onderzoeken die de limieten van financialisering tonen zijn schaars. Ook wordt de financiële dimensie van stedelijke ontwikkeling vaak genegeerd in stedelijk onderzoek. Daarom presenteert deze dissertatie twee geschaalde, vergelijkende, diepgaande case studies gebaseerd op financiële/kwantitatieve analyses en 55 elite interviews. De Nederlandse casus helpt om beter te begrijpen hoe financialisering plaats vindt terwijl de Belgische casus belangrijke barrières belicht.

Nederlandse stedelijke ontwikkeling is sterk gefinancialiseerd: alle belangrijke actoren zijn, in verschillende mate, erg open om financiële instrumenten opportunistisch te gebruiken. Ook maken sterke overheid instituties het niet alleen mogelijk om grootschalige, kapitaal intensieve projecten waarin private en (semi-)publieke actoren nauw samenwerken te realiseren, maar ook om een meer op de markt gerichte planologie te introduceren die de weg plaveit voor financialisering daarbij de investerings-logica prioriterend boven de gebruikerswaarde van de gebouwde omgeving. De daaropvolgende schuld-explosie, de toestroom van 'ongeduldig' kapitaal, zorgt ervoor dat grote sommen geld naar de creatie van nieuwe, compacte stedelijke districten stromen. De eigenaren van dit "rampzalige geld" hebben

een abstracte visie op de stad die vooral gebaseerd is op financiële parameters. Als gevolg hiervan zijn stedelijke ontwikkeling en schuld-gedreven vastgoedmarkten belangrijke economische groeimotoren geworden, er is sprake van een vastgoed-financieel gedreven groei regieme.

Kortom, financialisering verandert stedelijke ontwikkeling structureel, voornamelijk via een massale instroom van ‘ongeduldig’/gefinancialiseerd kapitaal, vooral, maar niet alleen, waarneembaar via een grote toename van schuldniveaus bij alle belanghebbenden, van project-ontwikkelaars tot kopers van vastgoed. Deze toename van ‘imaginair’ kapitaal, m.a.w. verhandelbare aanspraken op “de productie van toegevoegde waarde en op de waarde van de onderliggende bezittingen welke beide in relatie worden geproduceerd, zowel in tijd als in plaats” (Pani & Holman, 2014, p. 218), maakt het tempo van stedelijke ontwikkeling afhankelijk van volatiele, internationale financiële markten en transfeert de controle naar financiële actoren en markten in plaats van planologen.

Belgische stedelijke ontwikkeling is nauwelijks gefinancialiseerd: belangrijke actoren zijn veel minder open voor het opportunistisch omarmen van financiële instrumenten. Vastgoedprojecten zijn relatief klein, en worden vaak grotendeels gefinancierd door actoren met een lokale oriëntatie. Deze verstrekkers van geduldige kapitaal – lange termijn aandelen en schuld verstrekt door actoren die prioriteit geven aan langdurige relaties en lange termijn perspectieven die ook niet financiële doelstellingen hebben – vormen een belangrijke barrière tegen financialisering omdat ze huiverig staan ten op zichtte van externe financiering omdat ze hun invloed niet willen delen. Daarnaast heeft de geregionaliseerde, gefragmenteerde Belgische staat een veel zwakkere neoliberale omwenteling gefaciliteerd: private actoren speelde al lang een zeer belangrijke rol in de manier waarop de Belgische gebouwde omgeving gevormd wordt. Gecombineerd met de lange doorlooptijd van projecten en kleinschaligheid stroomt dit geduldig kapitaal geleidelijk naar de stapsgewijze ontwikkeling van een eeuwig uitdijend suburbaan landschap. Hierdoor wordt de vorm en het tempo van stedelijke ontwikkeling vooral bepaald door lokaal georiënteerd private vastgoedbedrijven en individuele vastgoedwensen en veel minder door internationale financiële markten. Binnen de Belgische politieke economie wordt vastgoed veel meer gezien als een individuele investering die bescherming behoeft: de financialisering van vastgoed om de economie te laten groeien heeft lagere prioriteit.

Net als veel andere recente onderzoeken neemt dit doctoraat de financiële dimensies van stedelijke ontwikkeling serieus en biedt het zo nieuwe inzichten over wat stedelijke ontwikkeling drijft daarbij de steeds prominentere rol van financialisering aantonend. Echter, deze andere onderzoeken zijn teveel gefocust op ‘het aantonen van’ financialisering daarbij de diversiteit tussen kapitaal verstrekkers negerend. Daarom is de belangrijkste aanbeveling voor verder onderzoek om de verschillende tijds horizonnen van kapitaalverstrekkers – het (on)geduld van kapitaal – meer centraal te stellen in onderzoek naar stedelijke ontwikkeling.

English summary

During the credit crunch in 2007 the global financial system was close to a meltdown, setting in motion a wave of state rescues of domestic financial institutions. The credit crunch also revealed that the deep motivation of financial actors to liquify illiquid activities and assets (such as real estate) in order to further enlarge the financial sphere can be extremely destructive. The Netherlands and Belgium (i.e., the Low Countries), where states were saving large bank(insurers) such as Fortis and SNS, were no exception. As part of the Eurozone, both countries also followed the general cure for the following Great Financial Crisis prescribed by the European Central Bank of loose monetary policies which thus stimulated a debt-fueled recovery, especially through capital intensive activities such as real estate. However, in the Netherlands urban development halted and real estate markets crashed, but Belgian urban development experienced only a minor hiccup and prices increased steadily.

This dissertation aims to explain this difference. It argues that 'financialization'—i.e., the increasing dominance of "financial actors, markets, practices, measurements and narratives" (Aalbers, 2017a, p. 3)—is a crucial concept. Scholars have shown how finance and real estate have become both increasingly dominant (within domestic and urban political economies) and increasingly interconnected with each others' changing "accumulation dynamics". They have also demonstrated how various state agencies and context specific conditions play crucial roles in shaping these processes reconfiguring "regulation dynamics". Studying urban development puts analysing the changes between these three domains central: it requires analysis of the changing behaviour of non-financial corporations (e.g., real estate developers), financial actors (e.g., banks and institutional investors) and their interaction with state agencies in order to better understand contemporary capitalism.

Although the dominance of finance over urban development in Anglo-American countries has been studied extensively, comparative studies on continental European "variegations" and case-studies showing the limits of financialization processes are scarce. More in general, the financial dimension of urban development is often neglected in urban studies literature. To fill this gap, this dissertation presents two multi-level, comparative in-depth case studies based on both financial/quantitative analyses and 55 elite-interviews that demonstrate how financializaton processes have interacted differently with urban development of Belgium and the Netherlands. It therefore offers a better understanding of barriers towards financialization and a more thorough understanding on how financialization reshapes urban development.

In the Netherlands, urban development is highly financialized: this is because relevant actors are, to varying degrees, very open and quick to adopt financialization tools and use them opportunistically. Also, Dutch state agencies have a directive role in urban planning, thereby not only enabling the creation of large scale, capital intensive projects in which private and public actors cooperate closely, but also facilitating more market-oriented planning policies that underpin financialization prioritizing investment logics over the use value of the built environment and fueling

debt production. The resulting prominence of 'impatient' capital providers leads to capital flowing into new, compact urban districts in large sums, as "cataclysmic money" of which the providers have an abstract vision on cities that is primarily based on financial parameters. Consequently, urban development and debt-fuelled real estate markets have become important engines for economic growth: a real estate finance driven growth regime has been established.

Thus, financialization structurally changes urban development through a massive influx of 'impatient'/financialized capital including, but not exclusively, through the take-up of debt by all actors involved, ranging from the developers to the buyers of real estate. This increase of fictitious capital, i.e. marketable claims "on the production of surplus value and on the perceived value of the underlying asset–both of which are relationally produced in time and space" (Pani & Holman, 2014, p. 218) makes the pace of urban development dependent upon volatile, global financial markets and puts financial actors/markets in control, rather than urban planners.

Unlike the Netherlands, Belgian urban development is financialized to a low degree: this is a result of how actors relevant for urban development are much less open to adopting large amounts of financialization tools. To the contrary, many development projects are of a relatively small size and usually, for a considerable part, financed by individuals and investors that have a local orientation. Thus, these patient capital providers–i.e., long-term equity and debt provided by actors who emphasize on enduring relations and long-term goals that include non-financial objectives—act as an important barrier *against* financialization, as they are hesitant towards the adoption of financialization tools because of how these decrease their influence. Moreover, the fragmented, regionalized Belgian state has established a less pronounced 'neoliberal turn', e.g., Belgium already had an extensive history with private (real estate) ownership and private actors, who were and are dominant in shaping its built environment. Combined with the long duration of (sub)urban projects and the piecemeal approach, patient capital flows gradually into the production of a sprawling, built environment. Accordingly, the pace and form of urban development relies less on global financial markets and more on locally-oriented, private firms and individual real estate desires. Within the Belgian political economy real estate is conceptualized as individual investment that needs protection: financializing it in order to spur economic growth seems to not be a priority.

In line with many recent studies, this PhD thesis takes the financial dimensions of urban development seriously, thereby offering new insights on what drives urban development and showing the powerful role of financialization processes in a wide range of contexts. However, these other studies are still skewed towards showing the presence of financialization and thereby neglect the variation of capital providers. To overcome this, this PhD thesis suggests that future research should put the different time-horizons of capital providers (i.e., the patience of capital) central in analyzing urban development.

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Chapter 1 Introduction: rise of financialized capitalism and urban development

1.1 Introduction

In 2007 the global financial system almost came to a standstill. In the following years, states all across the Western world ‘saved’ their domestic banks through the provision of trillions of euros and dollars in state support and guarantees. The Netherlands and Belgium (i.e., the Low Countries) were no exception. Their large, internationally-orientated domestic banks experienced huge problems and the Belgian and Dutch state stepped in and nationalized one of their largest domestic commercial banks, respectively Fortis and ABN Amro. Both banks were true ‘global’ players who managed balance sheets of respectively €674 billion and €987 billion in late 2006. This banking support was followed by guarantees for other banks (Belgian KBC, Dutch ING) and a second round of nationalizations (Belgian Dexia, Dutch SNS Reaal). Moreover, as part of the Eurozone, both countries followed the general cure for the Great Financial Crisis that had been prescribed by the European Central Bank, namely stimulating a debt-fueled recovery through quantitative easing and low interest rates, especially through capital intensive activities such as real estate.

So, large Belgian and Dutch banks were hit hard by the global financial crisis and their states adopted similar solutions in rescuing them, also, the economic ‘recovery’ was partly steered by similar European (monetary) policies. However, when we look at urban development and economic growth, striking differences come to the fore. Whereas in the Netherlands urban development halted and the number of large real estate development corporations shrunk from 25 in 2008 to 5 in 2013 (Mackaaij and Nozeman, 2014, p. 17), Belgian urban development experienced only a minor hiccup. Moreover, whereas Dutch real estate prices went down tremendously (Buitelaar et al., 2016), Belgian prices kept increasing steadily. Also, the Belgian economy grew in a slow but steady pace with only a minor downturn in 2008 and a stronger recovery than the Netherlands, which had experienced a much stronger increase between 2003 and 2008 followed by a deeper recession (OECD, 2017). This raises questions such as could there be linkages between financial markets, urban development and economic cycles? Why did Dutch urban development come to a standstill while in Belgium the construction of new houses, offices and retail properties remained rather stable? And, did state agencies try to ‘rescue’ urban development in similar ways as they rescued commercial banks?

Answering such questions not only requires thorough, more historical, analyses on transformations in political economies that steer urban development. It also points us towards crucial linkages between real estate activities, finance and economic growth. In this regard, a major change could be the increased dominance of financial actors, markets and logics, i.e., the rise of financialized capitalism (Aalbers, 2017a; Lapavitsas, 2009; van der Zwan, 2014) that made finance dominant over American urban development. While there are many case-studies describing in rich detail the financialization of urban development in the Anglo-American context (Ashton et al., 2016; Kirkpatrick, 2016; Peck and Whiteside, 2016), comparative studies on continental European "variegations" (Dixon, 2011; Peck and Theodore, 2007) and case-studies showing the limits of financialization processes are scarce (cf. Christophers, 2015). To fill this gap, this dissertation presents a study on how financializaton processes have interacted differently with urban development in Belgium and the Netherlands, thus offering respectively a better understanding of barriers towards financialization and a more thorough understanding on how financialization reshapes urban development.

This introduction starts with a short, general description on the rise of finance and how it relates to the built environment (section 1.2). In section 1.3, subsequently, it is argued that the financialization of urban development is a crucial topic to analyse both this rise of finance and the increased connections and interdependence between finance, real estate and state agencies. It also discusses the research questions that are leading in this PhD thesis. Section 1.4, subsequently, elaborates on the steps needed to answer these research questions by presenting the methodology and related methods used to study the financialization of urban development in the Low Countries. Section 1.5, finally, presents the structure of this doctorate.

1.2 Financialization and the built environment

The credit crunch in 2007 revealed a toxic link between financial practices and real estate, in essence, it revealed how financial actors are deeply motivated to liquefy illiquid assets such as real estate in order to further enlarge the financial sphere (Gotham, 2006; Aalbers, 2012; Ashton, 2009). The resulting 'Great Financial Crisis' has shifted scholarly attention towards processes of financialization and delivered insights on, among other things, the rise of housing finance (Fernandez and Aalbers, 2016; Schwartz and Seabrooke, 2008), the interlinkages between financial and real estate markets (Lizieri and Pain, 2014; Ashton, 2009; Weber, 2015), and the financialization of urban (re-)development (Rutland, 2010; Halbert and Attuyer, 2016; Savini and Aalbers, 2016; Halbert et al., 2014). This work not only shows how finance and real estate have become both increasingly dominant within domestic and urban political economies and increasingly interconnected with each other. It also shows how state agencies play a crucial role in facilitating or stimulating these processes. Consequently, "to understand either finance or real estate, we need to understand their connections and interdependence" (Aalbers, 2013a, p. 17).

However, surprisingly little comparative work has been conducted to investigate the multi-layered and multi-scalar processes of the financialization of real estate, its geographical variegation and the role of state agencies. This doctoral thesis is part of a broader research project that tries to better understand these increased interconnections between finance, real estate and state agencies. This wider research project uses the metaphor of the Real Estate/Financial COMplex (REFCOM) based on the idea that “to understand either finance or real estate, we need to understand their connections and interdependence” (Aalbers, 2013a, p. 17). In this respect, in financialized capitalism, REFCOM has replaced the military/industrial complex as a main mechanism or structure that configures political economies. However, the exact contours are still vague and the goal is “not to introduce a new master concept but to understand the spatialities of contemporary capitalism and bring together a range of literatures” (Aalbers, 2013a, p. 1).

This dissertation scrutinizes how these increased connections between real estate, state agencies and finance play out in Belgium[1] and the Netherlands and how this effects their urban and domestic political economies. It shares the theoretical goal to introduce finance into studies of urban political economies and to bring more geography (i.e., the influence of context) into critical political economy (Aalbers, 2013a). Accordingly, the aim is to develop a more profound scalar understanding on the financialization of real estate through a comparative multi-scalar case study on the Low Countries. These share an advanced, internationally oriented financial sector and waves of neoliberal policy adoption through European integration but with rather different practices related to the built environment. Therefore, they are interesting cases to investigate the extent to which the financialization of real estate has expanded across continental Europe. For doing so, small N-studies allow the researcher to create a deep understanding of the phenomena under investigation (Flyvbjerg, 2006).

Although deep historical conceptualizations exist through which financialized capitalism, for example, could be seen as the last convulsion of the hegemony of American-led capitalism (Arrighi, 1994), the focus of this PhD thesis is, in line with the general time horizon adopted in financialization scholarship, on its recent manifestation. Accordingly, the origination of financialized capitalism relates to the breakdown of Bretton Woods in the 1970s and waves of financial liberalization and reregulation combined with digitalization, thus making finance much more footloose (Froud et al., 2002; French et al., 2011; Pryke and Allen, 2000; Aglietta, 1998; Aglietta and Breton, 2001). As a result, the size of financial markets and the influence of financial actors on political economies increased rapidly, reaching historically unprecedented dimensions (Hudson, 2010; Lapavitsas, 2009; Hardie et al., 2013a; Fernandez and Aalbers, 2016). A rich body of work has empirically demonstrated how financial actors and financial logics increasingly shape practices of four actors that are important for the functioning of political economies (see chapter 2 for a more detailed discussion of this literature): non-financial corporations (Orhangazi, 2008; Krippner, 2005; Allen and Pryke, 2013), households (Forrest and Hirayama, 2014; Aalbers, 2012; Martin, 2002), the state (Lagna, 2015a; Hendrikse, 2015) and financial institutions (Hardie and Howarth, 2013; Harmes, 1998) thereby reshaping domestic and urban political economies (Macheda, 2012; Lapavitsas and Powell, 2013; Weber, 2010; Gotham, 2014).

[1] The Belgian state is highly regionalized. As further explained in the methodological section, chapters 3 and 4 analyze the national level while chapter 5 is focused on the region Flanders.

The rise of financialized capitalism

From a critical political economy perspective, financialization processes are crucial as they underpin the current dominant stage of capitalism—neoliberal capitalism—through enabling the continuous creation of new (financial) markets, thus facilitating the further expansion of capitalism (Fine, 2010; Fine, 2013; Hudson, 2010; Leyshon and Thrift, 2007; Brenner et al., 2010). Put differently, finance puts continuous pressure on a wide range of activities to be transformed into financial assets that are paper claims (e.g., shares and bonds) on future wealth production, i.e., fictitious capital (Harvey, 2006; Pani and Holman, 2014). As such, to sustain the growth of capitalism, fictitious capital requires the real economy to create enough value to enable paying back the initial capital provided plus interest or dividends. In particular for Anglo-American countries, some scholars argue that, instead of underpinning it, financialization has become so powerful that it should be labelled as dominant over neoliberal capitalism (Krippner, 2005; Andersson et al., 2014; Hudson, 2010). They label it as a new era of capitalism: financialized capitalism (Lapavitsas, 2009; Haiven, 2011; van der Zwan, 2014).

In financialized capitalism certain cities have become important centres of command and control (Sassen, 2001; Stanback and Noyelle, 1982; Bassens and van Meeteren, 2014). Not only are financial actors increasingly concentrated within the specific areas of main financial centres, their investments in and loans to real estate have reached historically unprecedented levels, consequently blurring lines between financial and real estate markets (Lizieri and Pain, 2014; Torrance, 2009; Coakley, 1994; Hudson, 2010). Likewise, whereas Western states during the Fordist era tended to spread economic activities and wealth equably and geographically even, states now increasingly bet on their strong horses trying to channel investments towards those urban areas that seem to have the most prosperous future (Brenner, 2004; Brenner, 2009). In this regard, ‘spatial Keynesianism’ has been, to a certain extent, swapped for policies that aim to increase real estate investment values, that aim to optimize the built environment’s value as a financial asset (Guironnet et al., 2016; Weber, 2010; Haila, 2015; Byrne, 2016). Consequently, inequalities are now reproduced geographically in a much more pronounced way (Martin and Minns, 1995; Hebb and Sharma, 2014).

The financialization literature primarily looks at cases where financialization did occur, making it seem like the rise of financialized capitalism is universal and ubiquitous across the West (cf. Christophers, 2015). The Belgian case also helps to better understand the working of important barriers to the process of financialization that are under-researched and still poorly understood. In this regard, patient capital–long-term equity and debt provided to firms by actors who emphasize stable, enduring relations and long-term goals that include non-financial objectives (Stockmans et al., 2010; Chrisman et al., 2011; Lehrer and Celo, 2016)–is a crucial concept. In other words, this PhD thesis pays ample attention to “the complex processes of transformation, which sometimes *advance and* at other times *hamper* the advent of finance capitalism in the advanced political economies" (van der Zwan, 2014, p. 120 emphasis added).

The variegation of financialized capitalism

As relatively recent phenomena, financialization and neoliberalization are also shaped by context specific elements such as the specific character of domestic institutions and (political) actors steering an economy. Therefore, neoliberal or financialized capitalism is looked at as "variegated" in the sense that it is not only driven by tendencies within global capitalism towards convergence (such as the rise of global finance and the continuous pressure to create new (financial) markets), but also points to how these general tendencies are shaped by elements of domestic and urban political economies into local specificities (Dixon, 2011; Brenner et al., 2010; Peck and Theodore, 2007; Moulaert et al., 2016). To distinguish how a dominant global tendency, namely financialization, creates variegated local specificities, this doctoral thesis focusses on if and how financialization has structurally changed urban development in two countries that are open economies with well-developed financial sectors and subject to similar neoliberal European legislation but have different real estate practices.

Whereas neoliberal capitalism revolves around the commodification of an ever-expanding amount of activities and resources into regular markets, financialized capitalism revolves around turning activities, resources and regular markets into commodities to be traded on financial markets (Polanyi, 1957; Peck, 2013; Fine, 2013; Jessop, 2015; Lapavitsas, 2011; Leyshon and Thrift, 2007). However, acknowledging the institutional embeddedness of markets, that is the existence of *political* economies, requires a way of thinking in which economies do not transform in a 'nature-like-manner' but to recognize that economic transformations have political origins (Peck, 2013; Polanyi, 1957): state agencies actively support the "rolling out" of financialized capitalism through reregulation, institution building and other interventions (Coq-Huelva, 2013; Gotham, 2014; Weber, 2010). Put differently, the possible shift from neoliberal to financialized capitalism not only relates to an economic shift in which capital intensive industries—such as real estate and finance itself—become more dominant within economies. It also relates to an ideological shift in which a strong belief in 'financial markets' is added to 'market oriented' thinking. Accordingly, in policy making, market oriented approaches are complemented by 'investment logics': subsidies are replaced by, among other things, revolving funds, TIF-structures and state investments that require financial gains from subsidized subjects in order to be able to finance future state projects (Ashton et al., 2016; Chiapello, 2015). This gives birth to 'real estate finance' driven growth regimes in which state agencies actively try to restructure urban and domestic political economies in the way that real estate and financial activities become *the* engines for economic growth (Hofman and Aalbers, n.d.; Smart and Lee, 2003; Gonzalez and Oosterlynck, 2014).

Although since the Great Financial Crisis this reliance on real estate and finance as engine for economic growth has deepened (Jordà et al., 2014; Fernandez and

Aalbers, 2016), it is hard to argue that financialized logics have fully replaced neoliberal logics: these logics seem to co-exist and/or reinforce each other in varying degrees in various contexts. Accordingly, it is hard to pin point precisely where and when financialization structurally changes a domestic or urban political economy. Nonetheless, the Regulation Approach (hereafter RA) offers an interesting perspective to start theorizing about this. RA starts from the proposition that capitalism—i.e., an accumulation regime with a complementary pattern of production and consumption (Jessop, 2001)—does not contain a self-limiting mechanism of its own, it needs mediatory mechanisms that can grow into a specific mode of regulation: “a set of mediations which ensure that the distortions created by the accumulation of capital are kept within limits which are compatible with social cohesion within each nation” (Aglietta, 1998, p. 44).

To establish social cohesion, a mode of regulation is required in order to solve the tension between individual wishes and societal needs. Relatively stable, ‘Fordist’ collective wage agreements did so through enabling social progress. However, whereas neoliberalization hollowed out these collective arrangements victimizing large parts of the labour force (Wacquant, 2001), financialization introduces debt, global financial markets and institutional investors as new structuring principles in relationships between individuals, the state and capital (Aglietta and Breton, 2001; Boyer, 2000; van der Zwan, 2014; Fine, 2010). In other words, “Financial integration has become the leading force of globalization. It is in the financial sphere where there have appeared some of the key institutional forms of the new growth régime” (Aglietta, 1998, p. 66).

Nevertheless, both between and within countries “accumulation and regulation dynamics” morph into distinct forms, in complex variegations, that also variegate over time, thus suggesting a complex mosaic of local diversity in (spatial) economic activities, class relations and political conditions (Lipietz, 1980; Moulaert et al., 2007). In this regard, the more mobile global capital becomes the fiercer the regional competition for these capital flows (De Decker et al., 2005; Martin, 2006). The most seminal examples are loosely coordinated ensembles of private and public actors that adopt entrepreneurial, pro-growth policies to put cities on the global map, thereby aiming to attract (global) capital, ‘desirable’ (i.e., talented) people and business activity (Molotch, 1993; Lauermann, 2016; Harvey, 1989; Logan and Molotch, 1987). However, especially in countries with strong central states, these growth machines have to deal with supra-local state agencies that develop urban policies that can contrast with their locally formulated (pro-growth) policies (Savitch and Kantor, 2002; Lipietz, 1980; Moulaert and Jessop, 2013). In this respect, comparing the modus operandi of urban development in Belgium and the Netherlands is an interesting topic as it contrasts a fragmented, regionalized state that is passive in urban planning (Belgium) with a strong state agencies that are directive in urban planning (Taşan-Kok, 2010; Uitermark, 2005; Kesteloot and Maesschalck, 2001; Kesteloot, 1990) giving birth to contrasting, rather place-specific urban regimes (Terhorst and Van De Ven, 1997; Oosterlynck and Swyngedouw, 2013; Kesteloot and Saey, 2002; Loopmans, 2008).

The RA approach, as discussed above, thus enables recognition of the existence of variegated mixtures of, to a certain degree, a financialized mode of accumulation (i.e., growth regime), combined with, to a certain degree, financialized and/or neoliberalized modes of regulation at various levels of scale. In other words, this conceptualization enables the possibility of a real estate finance driven regime "embedded in [a] neoliberal mode of regulation" (Hofman and Aalbers, n.d., p. 5). Distinguishing differences between accumulation and regulation dynamics at various scales is too daunting a task for this dissertation. In particular because the current theoretical debate at the urban level is primarily concerned with regulation dynamics (Brenner et al., 2010; Peck, 2017) therefore lacking a perspective on current urban accumulation dynamics (cf. Nijman, 2015).

Therefore, this PhD thesis merely acknowledges this complexity and aims to distinguish some indications for transformation of both modes of accumulation and regulation in regard to urban development at various levels of scale. As such, this PhD aims to sketch the rough contours of what a multi-scaled transformation from neoliberal to financialized capitalism in the Low Countries could look like, thus possibly enabling future research-projects that focus on a wider realm than sec urban development to develop a more comprehensive perspective. Also, although the RA and the Polanyian approach allow to open up the realm for contestation, for counter-hegemonic movements fighting the destructive forces of capitalism (Moulaert et al., 2007; Kirkpatrick, 2016; Uitermark, 2005) this dissertation focuses on the primary political and economic actors that shape the dynamics around urban development, and not those who contest this.

Real estate within financialized capitalism

This dissertation puts the defining element of the built environment, real estate[2], central. As a locally produced, capital intensive product, real estate connects the local built environment with domestic or global finance. But, real estate development is also the outcome of a complex web of institutions that reflect deep processes within political economies and can help bring about a better understanding of the features of these political economies (Halbert and Attuyer, 2016; Halbert et al., 2014). Real estate is defined as both commercial, that is office, retail, industrial, hotels, and so on, and residential properties, that is both rental and owner-occupied, excluding infrastructure. This dissertation primarily looks at real estate development, the intermediary between capital, local governance and the production of the built environment. But, it also delves into real estate investment, capital investment into new and existing real estate

[2] It is acknowledged that infrastructure is another important element of the built environment. As there is much overlap between both the literature on and practices in the financialization of infrastructure (see chapter 3), this PhD thesis uses real estate and the built environment interchangeably.

including all kinds of financial flows such as rental income, maintenance costs, taxes, debt and so on.

Real estate plays a key role in many financialization processes. Two distinct functions can be distinguished within real estate. Firstly, real estate is being used as collateral for debt generation in increasingly complex ways, such as debt securitisation and derivatives. In these transactions the value of real estate is conceptualized to be reliable so it offers security for complex financial activities (Kaika and Ruggiero, 2016; Savini and Aalbers, 2016; Mosciaro, n.d.). However, as the credit crunch in 2007 illustrated, these values can be less reliable than expected: when real estate and finance become extremely interwoven, real estate markets, such as the American housing market, start to mimic movements on financial markets thereby evaporating the function of real estate and land as meaningful collateral (Aalbers, 2012; Ashton, 2009; Harvey, 2011).

Second, real estate is increasingly conceptualized as a financial asset: a way of investing that is comparable to investing in other financial assets, such as shares and bonds, which narrowly focuses on expected risk-adjusted rate of returns (Hebb and Sharma, 2014; Lizieri and Pain, 2014; Theurillat et al., 2010; Coakley, 1994; Theurillat et al., 2016). Loose monetary policies, a growing wall of institutionally managed capital seeking investment opportunities and low profitability within other investment outlets further increases investment flows towards real estate investment properties (Dixon and Monk, 2014; French et al., 2011; Gotham, 2006; Lizieri and Pain, 2014). Feeling the urge to 'compete' for these international capital flows, urban governments increasingly prioritize satisfying financial desires, i.e., expected risk-adjusted rate of returns, over the creation of a functioning built environment (Peck and Whiteside, 2016; Hebb and Sharma, 2014; Harvey, 2006; Theurillat et al., 2016) i.e., lived spaces (Lefebvre, 1996).

The discussion above indicates that the rise of financialized capitalism in which real estate plays a quintessential role can have different implications for practices related to the built environment. Also, recognizing the multi-layered and multiple dimensions of financialization processes indicates that these processes can "penetrate" almost "everything" (cf. Engelen et al., 2014), "everywhere" (cf. Hendrikse, 2015). In this regard, it seems to be particularly useful to focus on whether, and if so, why and when, financialization processes can set in motion a structural transformation of domestic or urban political economies. Crucially, it should be emphasised that financialization processes are systematically re-produced throughout various contexts but that these various contexts always morph financialization into specific variegations (Dixon, 2011; Peck and Theodore, 2007; Coq-Huelva, 2013; Gonzalez and Oosterlynck, 2014).

1.3 Studying the financialization of urban development

The discussion above illustrates that to explain why the credit crunch in 2007 has had varying effects on the Low Countries, despite their similar large, internationally interconnected banking sectors, requires a more thorough understanding about the interaction of finance, real estate and state agencies within both countries. As such, a thorough, scale-sensitive understanding of the interaction of financialization processes with both political economies is needed. To develop such an understanding, this section argues that it is fruitful to put urban development central in the analyses.

Studies on how financialization processes affect the built environment have highlighted many different elements such as: changes in housing provision and related transformations in housing systems (Schwartz and Seabrooke, 2008; Fernandez and Aalbers, 2016; Forrest and Hirayama, 2014; Fields and Uffer, 2014); financial innovations that use real estate as input for complex debt and derivatives transactions (Aalbers, 2012; Ashton, 2009; Pani and Holman, 2014); local government's increased willingness to sell public assets or development rights to financial actors (Pacewicz, 2013; Weber, 2010; Ashton et al., 2016; O'Neill, 2013); the ways in which investment needs of financial actors are translated into the built environment (Weber, 2015; Guironnet et al., 2016; Byrne, 2016; Corpataux et al., 2009) and consequently integrate financial and real estate markets (Lizieri and Pain, 2014; Henneberry and Roberts, 2008; Coakley, 1994; Merrifield, 1993); and, sporadically, through analysing transformations within real estate development corporations (Sanfelici and Halbert, 2015). This doctoral thesis especially contributes to the two later strands of literature.

For doing so, this PhD thesis puts urban development central to studying the increased connections between and importance of finance, real estate and state agencies. Urban development is a crucial process as it puts studying ties between actors from these three domains central. As chapters 4 and 5 will argue and demonstrate in more detail, real estate development corporations that are the intermediary between landowners, planning agencies, financial institutions, construction firms and buyers of properties are closely connected with all actors relevant to the financialization of urban development. Consequently, as the core business of these corporations is attracting capital to produce the built environment developers are highly dependent on external capital and thus excellent observers of changes within capital provision (cf. Ambrose and Colenutt, 1975). But, their actions are also inevitably locally embedded as developers produce a spatially fixed commodity. In other words, developers mediate the financial sphere, for the provision of capital, and the real, local economy for the construction of physical buildings (Halbert et al., 2014).

As chapter 6 will show, other crucial actors that facilitate urban development are government agencies, and in particular local governments. Although financialization processes have been described in a wide variety of urban contexts, only a few, especially Anglo-American cities, have been labelled as 'fully financialized'. In these cases, there has been a clear shift from the provision of public goods and services in a managerial manner towards the first waves of neoliberalization that installed an entrepreneurial stance to financialized forms of governance (Ashton et al., 2016; Kirkpatrick, 2016; Peck and Whiteside, 2016). Whereas the entrepreneurial phase prioritizes large urban projects focused on inter-urban-competition at the international level for investments, tourists and the wealthy sections of the population (Harvey, 1989; Haughton et al., 2013; Lauermann, 2016) the financialized phase relates to financial actors becoming dominant over urban governance, thus directing urban development in finance's favour and ultimately extracting value from the built environment (Weber, 2010; Weber, 2015). Nevertheless, chapter 6 will further scrutinize this periodization and the interlinkages between neoliberalization, financialization and entrepreneurialism at the urban level. At least, this first examination suggests that both finance and real estate have become more important for cities and municipalities, consequently placing urban development high on the local political agenda (Swyngedouw et al., 2002; Martinelli et al., 2013).

Given their importance to urban development, analyses in this dissertation will be primarily focused on transformations within the real estate development sector and urban governance related to urban development. The main aim is to investigate the financialization of urban development through two country case studies that, as chapter 2 will show, share many elements with regard to the rise of financialized capitalism, but yet, have different modes of urban development: small-scale piecemeal private-led in Belgium versus large scale (semi-)public-led in the Netherlands (Halleux et al., 2012; Taşan-Kok, 2010). And, as discussed in more detail in chapter 2, whereas at the start of this PhD thesis there were, to the author's knowledge, no studies on financialization in Belgium, in the Netherlands financialization processes have been researched extensively (Aalbers et al., 2011; Engelen et al., 2010; Engelen, 2015; Fernandez, 2011; Bezemer and Muysken, 2015), as have the very close ties between real estate actors and state agencies. This has for instance resulted in a parliamentary commission of enquiry on wide spread fraud and cartels in the construction of roads and canals (Dorée, 2004; Priemus, 2004). Nonetheless, in both countries literature on urban development neglects taking financialization processes into account (e.g., Buitelaar and Bregman, 2016; Zonneveld and Evers, 2014; van der Krabben and Jacobs, 2013; Van Den Broeck and Verachtert, 2016; De Decker et al., 2005; Loopmans, 2008).

To investigate the (non-)financialization of urban development, three main Research Questions will be leading:

- **Research Question 1a) To what extent is the financialization of urban development observable in the Netherlands? And, how does it take place?**
- **Research Question 1b) To what extent is the financialization of urban development observable in Belgium/Flanders? And, how does it take place?**

As discussed above, financialization is looked at as processes that started during the 1970s and 1980s in which “financial actors, markets, practices, measurements and narratives” (Aalbers, 2017a, p. 3) become so dominant that they set in motion the structural change of domestic and urban political economies. Urban development is defined in a narrow way and understood as the process of producing new properties in both urban and suburban areas, as such, real estate development and urban development, which are used interchangeably.

As discussed above, to create a better understanding of the financialization of urban development it is crucial to put the main producers of the built environment in the center of discussion. In a very stylized view one could distinguish real estate development corporations, broadly defined as every entity that produces new real estate, urban governance, those state agencies that are crucial to facilitate (and regulate) urban development, and real estate buyers, those who buy the newly developed real estate (i.e., both households and institutional/private investors all usually (partly) financing the purchase through debt) (van Gool, 2013; Lizieri, 2009). However, as chapter 4 will point out, the empirical reality is much more diffuse, showing all kinds of complex mixtures and interrelationships between these actors. Also, as the literature review above shows, the rise of financialized capitalism suggests that it is likely that real estate development corporations, investors and urban governance have opened up for financialization processes. And, it is also crucial to take into account real estate markets that could introduce financialization processes both through the financial desires of investors who are the main buyers of rental residential units and commercial real estate and the financialization of households that are the main buyers of non-rental residential units.

Hence, it is through analyzing the real estate corporations, urban governance and real estate markets since the early 1990s that this doctoral thesis aims to answer this main research question for each country. Belgium is a highly regionalized country with fragmented state agencies, as such, the research project started with a focus on Belgium as a whole (see chapters 2, 4 and 5), but, as discussed in more detail in section 1.4.1 and chapter 6, in order to study urban governance this work zooms in into Flanders.

Answering this first set of main research questions would allow to further investigate the origination of the financialization of urban development through answering a second set of main research questions:

- **Research question 2) Are there important differences in the way the financialization of urban development takes place in the Netherlands and Belgium/Flanders? How and in what ways are these differences context specific?**

These questions aim to distinguish between processes that are systematically re-produced across borders and processes that are context specific. Put differently, these questions help to study the variegation of financialization process analysed through its impact on urban development, thereby contributing to a comparative, political economy perspective. Such a perspective also enables the conceptualization of non-financialized or moderately financialized realms. Hence, context specificity could also point out the barriers to financialization processes.

- **Research question 3) How does financialization structurally change urban development?**

Financialization is thus defined as setting in motion structural change in the ways in which urban development takes place. According to the empirical literature discussed above, the structural change financialization causes could be exemplified by making finance dominant over urban development. Then, the structural change observed is that financial actors, markets, practices, measurements *and/or* narratives become dominant over urban development. In other words, finance starts to shape the pace and form of urban development.

For instance, many American cities opened up to more speculative forms of finance including new 'innovative' instruments (Kirkpatrick, 2016; Pacewicz, 2013; Peck and Whiteside, 2016). In this regard, Chicago was a frontrunner which adopted an instrument that enabled the sale of future property tax revenues (i.e., Tax Increment Financing, TIF) to investors in order to fund urban development projects. This increased financial flows to Chicago, thereby contributing to "over-building" (Weber, 2015; Weber, 2010), and it also made urban development dependent on the success of current projects as it necessitated to pay back the TIF-investors. However, Chicago's structural budget shortages and willingness to adopt similar financialization instruments in other domains moved the City into a continuous search for new financial instruments. Put differently, it required the continuous sell of future municipal income streams in order to compensate for current budget deficits (Ashton et al., 2016; Farmer, 2014; Kirkpatrick, 2016). Accordingly, the City of Chicago now prioritizes urban development projects that have the potential to deliver substantial (property tax) income streams, i.e., urban projects that satisfy the desires of investors (Weber, 2010). But, this strategy requires a stable investor's appetite, when this appetite becomes less—for instance due to downturns on financial markets—urban development halts. The structural change thus observed is that financial actors have become important in influencing the form of Chicago's urban development and that financial markets influence its pace

Answering the three research questions above requires a deep understanding of both cases. The next section presents a methodological approach for developing such an understanding.

1.4 Methodology

This section first "examines the logic and rationale which underpins the use of particular methods" (Roberts, 2014, pp. 1–2), i.e., the methodology that structures this research project and helps to answer the three main research questions stipulated above. The core idea behind the methodology is that, in order to develop a thorough understanding of the financialization of urban development, a deep understanding of both political economies at different levels of scale is essential. For doing so, in-depth case studies are effective instruments (Burawoy, 1998; Gerring, 2007).

This section then discusses the "techniques adopted to accumulate and collect data about an object of inquiry" (Roberts, 2014, p. 1), i.e., methods. As every chapter has a short method section, this section revolves around those elements that are relevant for all chapters. Among other things, during two phases of fieldwork, much data was gathered including 55 open structured interviews, financial data (e.g., annual reports) and general statistics. This data was enriched by both the author's previous working experience in real estate finance, primarily as junior analyst at IPD/MscI, and his own experience living and working in the Low Countries during the entire period of the dissertation (four years). This allowed for many informal conversations and meetings with people working in real estate, finance and related state agencies on conferences, workshops, and lectures. Taken together, this created a deep understanding of both cases.

Financialization relates to both the fluid processes and a structural transformation of political economies, while the built environment consists of local, fixed objects. Therefore, to analyse the financialization of urban development, i.e., to answer the main research questions, it is essential to adopt an approach that acknowledges the multiple dimensions and layers of financialization processes. For doing so, a critical realist epistemology is adopted that focuses "on necessity and contingency rather than regularity, on open rather than closed systems, on the ways in which causal processes could produce quite different results in different contexts" (Sayer, 2000, p. 5). As such, critical realism tries to find the middle-ground between universalist, law-seeking approaches and anti-naturalist, idiographic approaches thus rejecting both overly positivists and overly postmodern approaches (Sayer, 2000; Steinmetz, 2004; Moulaert and Jessop, 2013).

Consequently, the financialization of urban development, is conceptualized as an open, contingent and contextually variegated process (Brenner and Theodore, 2002; Brenner, 2009; Jessop et al., 2008; Sayer, 2000). This makes it difficult to point out causal responsibility as there are many interacting structures and mechanisms in place creating messy, path dependent, incremental change (Oosterlynck, 2012; Lindblom, 1959). Moreover, actors distill from this complexity what is important for them and base their actions on this reduced complexity (Moulaert et al., 2016). In this regard, understanding change implies acknowledging that actions are constrained by "past and present path-dependent structural legacies rooted in the organization" (Moulaert and Jessop, 2013, p. 18) of domestic and urban political economies. Nevertheless, this perspective also acknowledges that there could be structural transformations that reflect the rise of new dominant tendencies within contemporary capitalism, such as financialization and neoliberalization, that reshape political economies (Moulaert et al., 2016; Martinelli et al., 2013).

However, the systematic reproduction of dominant processes through complex socio-economic historic-geographies inherently relates to uneven and variegated processes, both geographically and temporarily, thus creating variegated pathways (Brenner et al., 2010; Jessop et al., 2008). Dominant processes within global political economy, primarily financialization and neo-liberalization, also bring localities into conversation as these processes create shared, local experiences in which respectively financial logics and practices (financialization) and market-like logics, efficient solutions and subjectification to neoliberal ideals (neo-liberalization) are put central in urban development (Robinson, 2015; Hall and Hubbard, 1996; Peck and Whiteside, 2016; Swyngedouw et al., 2002). Accordingly, analysing how and why localities experienced similar “critical junctures” (Schneiberg, 2006) not only helps to shed more light on their individual pathways thereby answering research questions 1a and 1b. Furthermore, as both cases are analysed through similar methodological anchors, they can therefore be compared to each-other through reflecting on the found similarities and differences, thereby shedding light on variegation (cf. Novy et al., 2013 research question 2). As such, the Belgian and Dutch cases are not only compared with each-other but also brought in conversation with the broader literature on financialization in the Western context (answering research question 3).

To distinguish financialization as setting in motion a structural transformation of urban development meaningful change caused by financialization processes should be observed. However, at the onset of the research project it is only clear that this change would differ between domains and actors. As a result, the various chapters aim to develop a more sophisticated understanding of financialization’s ability to cause transformation through different case-studies within the Low Countries.

1.4.1 Case selection

The general research project uses comparable methods and theoretical concepts to study the ‘existence’ and ‘appearance’ of REFCOM like structures and mechanisms in the United States and the United Kingdom (Hofman and Aalbers, 2017; Fernandez et al., 2016; Ward, n.d.), Spain and Italy (Di Feliciantonio and Aalbers, 2017; Di Feliciantonio, 2016), Russia and Poland (Büdenbender and Golubchikov, 2016; Büdenbender and Zupan, 2016), Brazil and Italy (Mosciaro, n.d.), Hongkong and China (Zhang, n.d.), Germany and France (Gertjan Wijburg and Aalbers, 2017; Gert Jan Wijburg and Aalbers, 2017). Accordingly, within this research framework the Netherlands and Belgium are logical cases as they expand the research project into two small, Eurozone countries that both have well-developed, large financial sectors with long histories and are thus likely cases to facilitate financialization processes related to real estate. As argued below, brought in conversation with the international literature both cases also offer insights into how the financialization of urban development plays out in the Western context.

To create a better understanding on how the multilayered and multiscalar process of financialization affects urban development differently in both countries, this PhD thesis is based on multi-stage, in-depth case studies that use both quantitative and qualitative methods (Flyvbjerg, 2006; Hall, 2003; Steinmetz, 2004). In each chapter different cases are studied and their selection is explained. But, every case has been selected with the aim to better understand certain elements of the financialization of urban development. In-depth case studies—that are according to some scholars "a precondition for any comparative assessment of theory" (Steinmetz, 2004, p. 383)—enable the development of an insider view to gain in depth contextual information on "how a causal mechanism operates and under what conditions it is activated" (Roberts, 2014, p. 5). Taken together the multiple case studies discussed throughout this doctoral thesis helps to increase the understanding of the (non-)financialization of urban development by highlighting different elements of it in both countries. As such, an in-depth understand of the two cases brought in conversation with (i.e., compared with) the general literature enables to "explain rather than only to describe" (Pickvance, 2001, p. 11; see also Robinson, 2015) how the financialization of urban development takes place.

The Netherlands and Belgium are strong cases to study the financialization of urban development. This can be seen in how, on the one hand the Low Countries share many characteristics. They are flat, small countries with extensive coastal areas containing the largest ports of Europe. Both countries are densely populated with a highly educated work force, high average household wealth, relatively strong economic performance, an advanced and international oriented financial sector with a rich history, and a polycentric urban structure (de Vries, 2015; Chang and Jones, 2013; Allianz, 2014). Both political economies are open to foreign investments and international trade. Furthermore, by late 2014, the households, state institutions and non-financial firms supporting these economies had accumulated one of the highest debts to GDP ratio's in Europe (roughly 325%). As illustrated in chapter 2, these stretched balance sheets indicate that financialization processes could originate in both countries. Also, with open economies, the countries depend on both the global economy and global finance for their economic performance.

Moreover, as parts of the Eurozone, both countries have similar socio-economic experiences, such as the liberalization and Europeanization of the financial sector, but, also the rise of neoliberal policy interventions that prioritize market oriented solutions for public problems (Warner and Clifton, 2014; Mügge, 2006). Furthermore, until the late 1980s, when many empirical accounts locate the beginning of the processes of financialization in Europe, the countries had comparable models of Fordist economic development, with powerful labour unions and a strong state which aimed to distribute wealth equally. Political parties were embedded in dense networks of specific religious or ideological institutions that formed 'pillars' that influenced all spheres of life (Quentin and van Hamme, 2011). However, steady 'depillarization' and severe economic downturns during the 1980s combined with the introduction of European legislation during the 1990s created opportunities for new, post Fordist paradigms to take root in both political economies: i.e., to find new arrangements to temper the wild force of global (financializing) capitalism (Aglietta, 1998).

On the other hand, in regulating the built environment the Dutch urban planning system—where state agencies play a much more directive role and the processes itself is more institutionalized—creates compact cities also containing large stocks of social housing whereas Belgian's sprawled built environment consists of large, often detached houses primarily owned by households (Halleux et al., 2012). This relates back to a long history with distinctive, regional economic development trajectories further spurred by state reforms in the 1970s that regionalized—or fragmented— state institutes and political parties.

The economic geography of Wallonia was very successful in facilitating rapid industrialization in the 19th century. But, it became locked in in supporting its decaying traditional industries during deindustrialization in the 1980s. Flanders, in contrast, not only experienced an economic boom with the rise of a consumer's society peaking in the 1960s, it was also rather successful in creating–through 'entrepreneurial policies' that mostly consisted of reducing labour costs, attracting foreign investments, and investing in (high-tech) clusters—a 'Third industrial revolution' from the late 1980s onwards. Hence, Flanders' economy became technology led housing 'modern industries' such as chemicals and the car industry. Where Brussels[3] was the gravity point for industrial and colonial capital, it now has become—next to the 'Belgian financial centre'—a major provider of jobs in the service sector in particular related to the activities of the European Union (Buyst, 2011; Oosterlynck, 2012; Kesteloot et al., 1990; Oosterlynck, 2007; Loopmans, 2007). Accordingly, and as will be discussed through chapters 4—5, Brussels is Belgium's prime office market, and residential markets in Flanders are relatively prosperous compared to Wallonia. Nevertheless, there are many similarities in real estate practices within Belgium(JLL, 2015; Hanseeuw, 2014; Clark et al., 2016).

It is expected that financialization processes are possible in both countries, but, that as the result of the differences (especially around the way the built environment is produced) the financialization of real estate could take two different, European variegations. Or, not take place at all as there could be too many barriers for finance to become dominant. Therefore, both political economies are looked at as cases that could deliver insights on how domestic and urban political economies morph the rise of financialized capitalism into specific local variegated forms of urban development.

In addition to the reasons mentioned above, there were also some pragmatic issues related to the (within) case selection. The main advantage of small N-studies is that it allows the researcher to create a deep understanding of the phenomena under

[3] In this paper Brussels is synonym to 'Brussels metropolitan area' except when stated differently in the text.

investigation (Flyvbjerg, 2006). Since developing such an understanding is time consuming, it is advantageous that during my doctoral thesis I worked at a Belgian university and lived in a Dutch city. Also, because I originate in the Netherlands, and therefore speak Dutch, and previously studied and worked in the Netherlands, I was already well informed about many elements of the Dutch case.

However, as I am not fluent in French, the Belgian case was restricted to documents and interviewees who/which could be accessed in Dutch or English. For chapters 2, 4 and 5 this did not contain a problem as many documents and interviews were in Dutch or English. However, to study urban governance it was necessary to focus only on Flanders as for studying Wallonia or Brussels French language capabilities are a necessity. This is in line with common research practices in Belgium, most of the urban research focuses on either Flanders, Wallonia or Brussels. Moreover, as the regional pathways have become very different, it would have implied studying four cases instead of two (i.e., Flanders, Brussels, Wallonia and the Netherlands). Nonetheless, even after four years I don't know all the nuances of the Belgian political economy, therefore, the extensive comments of my Belgian co-supervisor Stijn Oosterlynck on all drafts related to the Belgian case were very important for this doctorate.

1.4.2 Quantitative data-sources

The research questions aim to develop a thorough understanding on the financialization of urban development through studying its appearance in two countries. Therefore, as argued above, in-depth case studies are a crucial way to develop such an understanding. There is plenty of information on real estate and finance in the Low Countries, however, there is surprisingly little comparative, historical data available. For instance, to gather historical data on the outstanding debt of domestic real estate development corporations was impossible in both countries.

Data that is most comparable is gathered by international agencies as OECD and Eurostat. However, as chapter 2 illustrates, even historical data on financial assets and liabilities is only available from the mid to late 1990s onwards. Also, this type of macro-level data is almost always strictly focused at the national level. This fallacy of "methodological nationalism" (cf. Peck and Theodore, 2007) does not allow for the various scales of financialization processes to be fully captured, and it hinders analyses at the urban level (cf. Harvey, 2012).

Therefore, as the methods sections in each chapter describe, chapters 4—6 had to use data that was gathered in different ways from varying agents ranging from statistical bureaus and central banks towards professional real estate magazines. Accordingly, this kind of data does not allow for direct comparisons to be made through statistical analyses (Bryman, 2012). As a result, throughout this PhD thesis, quantitative data is primarily used to create rough indications for important developments that had to be verified through interviews (see section 1.4.3) and other secondary sources. They primarily included financial newspapers, non-academic books, and real estate magazines.

With respect to data availability, there was much more data available on the Dutch case. This is because, in the Netherlands, both the real estate/financial sector and state agencies gather standardized information that is shared through different channels and media, such as, but not limited to, professional real estate magazines Property NL and Vastgoedmarkt, real estate consultancy firms and realtors, the semi-private knowledge/education center ASRE, and government agencies as PBL. In contrast, the standardized information produced in Belgium is primarily available through consultancies/realtors such as JLL and Cushman & Wakefield who produce similar—but highly debated (van Loon, 2015)—reports in the Netherlands. Moreover, with a centralized Dutch state and regionalized/fragmented Belgian state, in the Dutch case there is much more comparative data at the municipal level that was gathered through the central statistical bureau, CBS. As further reflected upon through the empirical chapters, this informational asymmetry is an important characteristic for differences between practices around urban development.

At the level of individual firms (chapter 5, corporations of Immobel and TCN) and real estate activities and finance of individual municipalities (chapter 6, municipalities of Apeldoorn and Antwerp) annual reports offered a very useful data source. Annual reports not only give a precise overview of changes in financial flows over time, but they are also based on comparable accountancy principles, thereby making the data easily comparable. However, the municipal annual reports were less comparable as both countries/regions use very specific, bureaucratic forms of accountancy. Nevertheless, these reports did deliver intriguing insights on how important developments work out financially. Accordingly, social scientists who study financialization processes should add these financial sources to their research tool box.

1.4.3 Elite Interviewing

Both real estate and finance are rather opaque, complex sectors with layered organizations. There tend to primarily be more experienced actors at the top of the hierarchy, who are more aware of the organization's history, and changes throughout. However, these key actors usually do not publicly elaborate on their activities in detail. This thereby makes primary information difficult to come by. Moreover, public sources and academic publications are relatively scarce on this topic, especially in Belgium. Also, although quantitative data is helpful to measure and map general developments (see section 1.4.2), in this research project, quantitative data alone was not substantial enough to create a better understanding of major transformations at the intersection of finance, real estate and state agencies.

To fill this gap interviews with people who are experienced and have knowledge about the decision making processes in the higher echelons of the organizations are crucial. A small part of this target group relates to relatively approachable occupations such as urban planning professionals and consultants. However, a much larger part of possible interview candidates are “those who occupy senior management positions” (Harvey, 2010, p. 5) and that could be labelled as the elite. Interviewing the elite comes with certain particularities, and this section presents how said particularities were handled, and how this could have influenced the content of the empirical chapters.

The main data-source that provides the basis for chapters 3—5 are 17 interviews that took place in Belgium and 30 interviews that took place in the Netherlands with key players, ranging from CEOs of real estate corporations and banks to high level officials from planning departments conducted between April 2014 and May 2015. For chapter 6, eight new interviews were conducted with actors involved with the local government of Apeldoorn (3) and Antwerp (5), these interviews took place in July and August 2016 (see Appendix I).

Each of the 55 interviewees had over ten years of varied working experience, often at different organizations and corporations. The firms/organizations these, mostly male, respondents owned or were working at the moment of the interview included real estate development corporations (NL: 6; BE: 7), all major domestic banks, (NL: 5; BE 2), listed and unlisted real estate investment funds both for private and institutional investors, (NL: 5; BE: 1), municipalities/municipal real estate organizations (NL: 1; BE: 6), supra-local (planning) agencies (NL: 2; BE: 2), lobby organizations, (NL: 3; BE: 1) institutional investors, (NL: 2; BE: 1), other real estate financiers (NL: 1, BE: 1), real estate advisories (NL: 2; BE: 1), a housing association (NL: 1), trust industry (NL: 1), an asset manager (NL: 1), the national bank (NL 1), the province (NL: 1), and the department of domestic affairs/planning (NL: 1). Most interviewees were working in senior positions such as director, managing director, CEO, or senior analyst (see Appendix I, list of interviewees).

First, elite interviewing comes with many barriers making interview-candidates hard to approach. Harvey (2010, p. 195) advices: “Researchers should attempt to pursue as many different avenues as possible in a polite, yet persistent and opportunistic manner”. This is often a hard and time consuming task (England, 2002; Conti and O’Neil, 2007), in particular because highly -ranked people have many gatekeepers, so as to protect their valuable time (Thomas, 1993). To minimize the problems that surround gaining access I decided to start my fieldwork in the Netherlands were I already had established a small professional network during two previous jobs in real estate/finance and business conferences. I started by interviewing people from this network

At the end of every interview I asked if the interviewee had other interview candidates in mind. This snowball technique (cf. Bryman, 2012) proved to be very fruitful: mentioning an interviewee’s name to a possible interviewee generally let to the acceptance of an interview invite. In a later stage, when I had very specific ideas about who to interview, cold calling would often work surprisingly well, although, respectively twelve interview candidates in the Netherlands and six in Belgium rejected interview requests, or simply did not respond. In the case of financial and real estate corporations this was often not a problem as there were plenty of other possible candidates. However, the four rejections of different suitable interview candidates in the Dutch National Bank were more problematic as it is a crucial actor in the processes studied in chapter 3. In this case I had to be very persistence, for instance by visiting a lecture of an interview candidate within the DNB and inviting her/him for an interview afterwards. Persistence did pay off, but it took much more time than with other interviewees. Nonetheless, overall I was able to interview the people I aimed for: the elite within real estate, finance and the state. So, in this regard, my own experience and that of other members of our research group (cf., Büdenbender and Lagna, n.d.; Wijburg and Aalbers, n.d.) contrasts with the literature on elite-interviewing that claims getting access is very tough.

This dissertation started as a broad investigation into transformations within finance, real estate and related state agencies. So, besides the structure to first research the national scale in both countries and then the urban scale, it was unclear what the precise topic(s) of the PhD thesis would be. However, after finishing the first 30 interviews in the Netherlands, the topic of comparison was much clearer: to study the (non-)financialization of urban development in the Low Countries. Also, with some interviewees I had developed a close dialogue of "academics moving between respondents … part of a complex web of information flow" (Clark, 2000, p. 8) making them very willing to connect me directly with other very useful interviewees in Belgium. Consequently, the interviews in Belgium were much more focused, and, I reached a level of saturation after approximately 17 interviews in which all elements related to changes in urban development had been discussed in great detail with a wide range of actors (Gerring, 2001). I have had much less knowledge about the Belgian case. Therefore, I worked to compensate this by attempting to read much more on Belgium. However, this was problematic as much less information is available on this topic, both from an academic perspective and information published by the real estate and finance industries (see section 1.4.3). As a result, the interviews in Belgium were less advanced in the sense that interviewees more often had to explain basic elements during the interview. Also, I was less able to interpret if an interviewee was truthful about a topic. I tried to minimize these effects by verifying important topics and issues with the various interviewees. Also, the level of abstraction in chapters 3—5 decreases this 'asymmetry' between the sophistication of the interviews.

Second, as elite interviewees are often well-trained, well-informed speakers, it was important to start an interview well prepared (England, 2002; Conti and O'Neil, 2007). My working experience in real estate and finance had already made me familiar with many terms, developments and dominant ideas that enabled–together with a thorough literature study–the setting-up of a topic list. However, what proved to be particularly fruitful, was to personalize this topic list based on reading background documents about the interviewee and her/his company published in the financial newspapers, on their website, and in other sources. This established rapport (Berry, 2002; McDowell, 1998) letting interviewees speak very openly, and, often revealing information that was rather confidential, but also often led to conversations that went on longer than planned. This worked both for Dutch and Belgian interviewees, thus decreasing the ‘information gap’ described above.

All interviews were taped, but, trust and rapport were further established by letting the interviewee her/himself decide how to be cited, based on draft versions of publications. I remained the right to cite them anonymously except when a quote would contain confidential information. If they opted for anonymity, their name is not listed in Appendix I, but a description that indicates their background is still available. Two chapters are published articles and both journals had different requirements for quoting interviewees: European Planning Studies required the datum of the interview with every quote while Socio Economic Review only required to have “(interview)” behind every quote. To smooth the process of guaranteeing anonymity, the other chapters use the more anonymous way of Socio Economic Review and Appendix I uses a list without the interview dates, as otherwise anonymity could not be guaranteed. Both supervisors did have access to all taped interviews and the tapes are stored in a safe, offline, encrypted place by the researcher. Also, the respondents that were quoted were given the opportunity to respond and give feedback on draft versions of both academic papers and essays in Dutch that are based on the main research findings. Doing so led to the establishment of a “close dialogue” with some interviewees, or, in a couple if instances, even to follow-up interviews in less formal settings (Clark, 2000).

A third important element of elite interviewing is the use of positionality. Here, experiences are mixed, from lively pleas to act as a naive researcher so the experienced interviewee wants to “’enlighten’ their junior interlocutor” (Welch et al., 2002, p. 621), to “try and move between ... positions in an interview, while not alarming a respondent by one’s apparent multiple personality problem” (McDowell, 1998, p. 2138). As is clearly observable from my LinkedIn and Twitter accounts, I have working experience in the real estate industry and pronounced opinions on certain topics. Furthermore, as I knew already much about many interviewees and their firms through interview preparation, being honest about my positionality made most sense to me. This knowledge allowed for the critical engagement with an interviewee when (s)he seemed to explain manners in a way that seemed to be beneficial to her/him or her/his institution’s interests (Clark, 2000). Sometimes this set in motion tough discussions as many interviewees were sharp of tongue and often successfully attacked questions that I formulated badly. In a later stage I also engaged with interviewees in discussions about my own thoughts about phenomena in Dutch and Belgian real estate and finance. These discussions—often based on propositions—created even more interesting new insights.

Positionality also relates to me being reflexive about my own position as researcher to the research topic (Herbert, 2000). During my master-thesis, I became fascinated by the production of urban space and the underlying financial and real estate dynamics. I started to work part time at a small real estate developer, Monviso

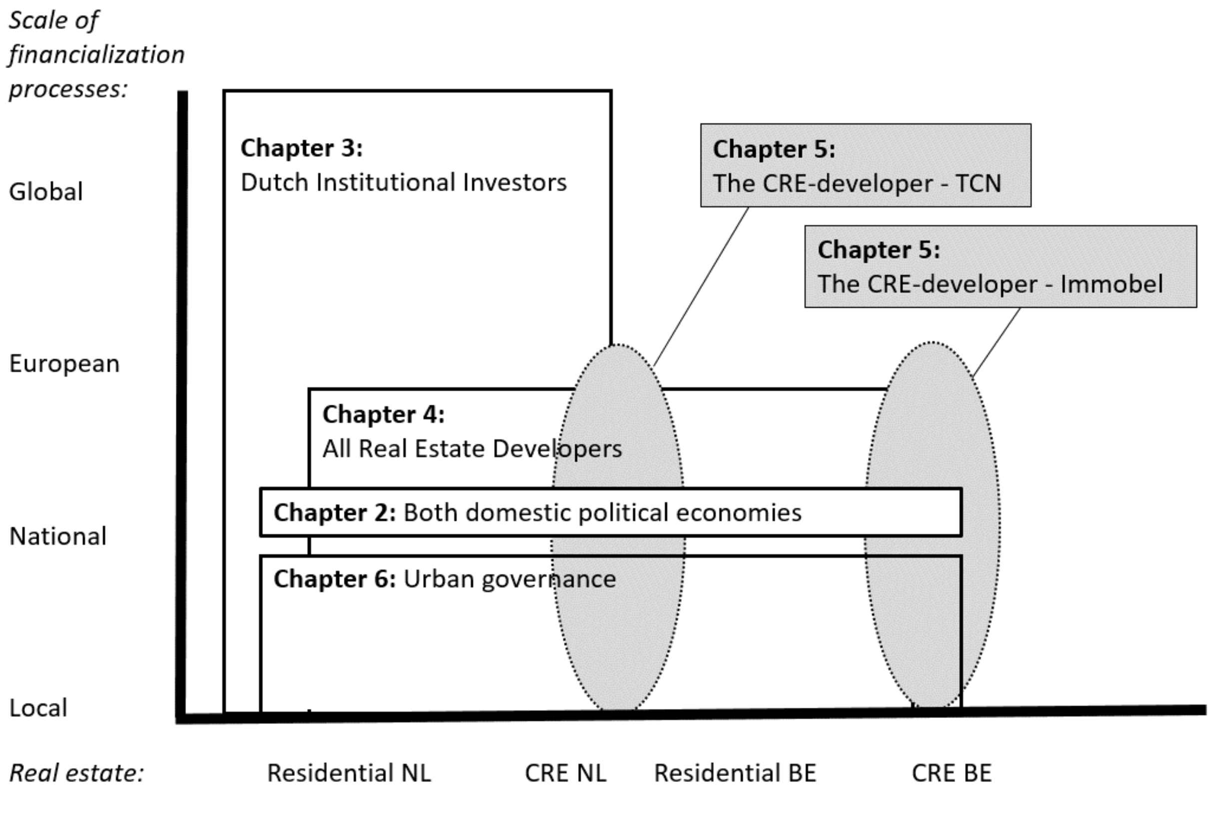
Vastgoed. After graduation I worked 1.5 year full time at MscI/IPD that creates the most important real estate benchmarks. Accordingly, I learned a lot about the finance behind real estate. During the doctoral thesis, in which I conducted research and taught for the KU Leuven, I had a very independent position that I used to write critical publications. Nevertheless, although I am critical about certain developments in the real estate sector, I do not feel distanced from it. Rather, this critical mindset has increased my interest in the topic. For example, my current job search includes both academic positions and positions within real estate firms.

1.5 Structure of the PhD thesis

All chapters aim to find out if, and if so how, financialization structurally changed a dominant actor/element related to urban development. As Figure 1.1 below summarizes, **chapter 2** first explores the presence of financialization processes related to real estate at the national level. It offers a quantitative exploration of the rise of finance and real estate within the Low Countries together with an introduction of both political economies.

During the first interview phase it became clear that this dissertation offered a unique opportunity to study changes in the way Dutch institutional investors invest into the built environment. Access to both data and key actors enabled to unravel the black box of finance allowing to make a contribution to the international literature as financial agency often remains a black box. But, the recent history of real estate investments of Dutch institutional investors also helps to better understand wider changes in the Dutch

Figure 1.1 Structure PhD: Financialization and urban development in the Low Countries



political economy that are key to understand the financialization of urban development. Therefore, to study whether the financialization of urban development takes place differently in the Low Countries **chapter 3** first focuses exclusively on the Netherlands analysing one, under-researched element in depth: the financialization of real estate investment strategies of Dutch institutional investors who have shifted from primarily local direct holdings in properties towards truly global real estate portfolios primarily through participations in real estate funds. This chapter also puts fictitious capital central as a crucial theoretical concept to better understand the current processes of financialization in regard to real estate.

Chapter 4 is a comparative chapter that focuses on the business models of real estate developers who are the intermediaries between capital and the production of the built environment. By doing so it highlights important differences between the behaviour of developers in both countries, but, also between both political economies that interact differently with the rise of financialized capitalism. The crucial difference is that Dutch developers were open towards financialization processes and financialized accordingly while patient capital formed an important barrier in Belgium. Through two typical case studies, Immobel and TCN, **chapter 5** aims to reveal how these differences play out at the level of the individual firm. To develop a better understanding on what the financialization of urban development looks like **chapter 6** analyses the role of municipalities. In both countries, municipalities became more active on real estate markets, thus getting actively involved in real estate projects or land activities and therefore behaving like an entrepreneurial state agency. The conclusion, finally, answers the main research questions. This allows not only to increase our understanding on the relationship between financialization processes and real estate, but also, to better understand the conditions that contribute or hamper the rise of financialized capitalism.

Chapter 2 The rise of financialized capitalism reflected through changes on the balance sheets of the Dutch and Belgian political economy

The idea to quantitatively explore the financialization of political economies through balance sheets arose during a collective research project with Callum Ward and Gertjan Wijburg. Accordingly, many elements of chapter 2 resonate with Ward, van Loon and Wijburg (n.d.).

2.1 Introduction

As chapter 1 discussed, finance and real estate have become more dominant within political economies *and* more interconnected with each other. Also, in some countries the dominance of finance has become so strong that it is now the crucial feature of the way capitalism functions, i.e., financialized capitalism. To analyse the extent to which both the rise of financialized capitalism and real estate is observable in the Low Countries, this chapter[4] presents quantitative data that aims to give a comparative overview of the rise of both finance and real estate vis-à-vis the regular economy in Belgium and the Netherlands.

For doing so, Section 2.2 first presents a conceptualization of financialized capitalism and a way to explore its presence in the Low Countries. This quantitative exploration is structured through a discussion of the balance sheets of important actors from both political economies and how these changed over time. Section 2.3 discusses the merits and demerits of this heuristic device while sections 2.4 and 2.5 offer analyses on how these balance sheets have respectively changed for the Netherlands and Belgium. These sections indicate that finance and real estate have become dominant elements within the Dutch and Belgian political economy, consequently making them interesting cases to study the origination of financialization processes. The conclusion, section 2.6, reflects on how this first quantitative exploration is useful for the better understanding of the (non-)financialization of urban development in the Low Countries.

2.2 The rise of financialized capitalism

Section 1.2 shows that the rise of financialized capitalism is observable through "financial actors, markets, practices, measurements and narratives" (Aalbers, 2017a, p. 3) and is becoming dominant in the functioning of political economies (by) structurally transforming the practices of important actors within political economies, namely non-financial firms, financial institutions, states and households. Especially in Anglo-American countries, a shift is observable from neoliberal urban and domestic political economies towards financialized versions. However, as financial and regular markets are shaped by institutions, context and historical conditions such a

[4] Another single-authored paper, heavily drawing on chapters 1 and 2, that further explores financialization processes related to the Belgian political economy is currently under review.

transformation has political origins and is shaped by the actions of important (economic) agents (Peck, 2013; Polanyi, 1957; Deeg and Jackson, 2006). Moreover, as financialization relates to multilayered and multiscalar processes it can play out differently among every actor and scale (French et al., 2011; Sokol, 2013). Therefore, financialization processes related to these four actors are discussed in more detail below.

First, *the financialization of non-financial corporations* relates to a transformation of business models, a qualitative shift whereby the adoption of financial logics prioritizes a focus on financial profitability over productive investments and long-term growth (Orhangazi, 2008; Tomaskovic-Devey et al., 2015). Put differently, “profit-making occurs increasingly through financial channels rather than through trade and commodity production” (Krippner, 2005, p. 181). For example, a car manufacturer for which the securitisation of and trade in car loans becomes more profitable than selling cars. As a consequence, leveraged growth, for instance through merges and acquisitions, financial assets and complex financial instruments such as derivatives become central to business models that aim to boost a corporation’s value, e.g., reflected through high stock market capitalization (Pike and Pollard, 2009; Froud et al., 2006).

Second, the *financialization of households* relates to two developments. First, many states replaced government lending in order to stimulate the domestic economy with mortgage production. In this “privatised Keynesianism” mortgage-debt has to accelerate booms on housing markets, thus boosting consumer confidence and (subsequently) real spending so domestic economies could thrive (Watson, 2010; Fernandez and Aalbers, 2016). However, the extreme relaxation of mortgage conditions in the United States also spurred a pyramiding of low quality debt, then giving birth to an almost meltdown of the global financial system (Aalbers, 2012; Ashton, 2009; Monaghan and O’Flynn, 2012; Harvey, 2011). Second, there is a shift observable within Western countries whereby the state retreats from the provision of public goods (Davis, 2009; Martin, 2002). Households are increasingly responsible to manage their own funds and to provide themselves with schooling, health care, and pensions often allocating this task to institutional investors whose power has increased tremendously (Harmes, 1998; Clark, 2000; Dixon and Monk, 2014; Aglietta and Breton, 2001).

Third, rather recently accounts show how different *state agencies* interact with this new era of financialized capitalism. There is a wealth of empirical case studies showing how local and national state debt has opened up to financialization tools (Hendrikse, 2015; Pani and Holman, 2014; Weber, 2010; Gotham, 2014; Lagna, 2015b; Lagna, 2015a). Usually, this involves replacing traditional forms of debt, i.e., bonds, with more complex forms such as derivatives, collateralized debt obligations and tax increment financing, often promising lower debt costs or more attractive debt levels but in reality often creating badly understood financial risks that can accumulate into sizeable financial losses. But, waves of privatization and financialization have also put the provision of public goods, e.g., infrastructure, to a considerable degree outside the realm of the state. Therefore, these activities opened up for processes of financialization. For instance, roads have become financial investments and water provision a tool for complex debt generation (Allen and Pryke, 2013; Torrance, 2009; O'Neill, 2013). Therefore, on the one hand financialization of the state relates to opportunistic financial behavior: "how governments [i.e., state agencies] wield the market-based practices and technologies of financial innovation to pursue statecraft objectives" (Lagna, 2015a, p. 167). On the other hand, state agencies become "entangled" (Ashton et al., 2016) with financial actors in often badly understood ways "altering socio-legal arrangements and policies to accelerate the circulation of capital, revalorize space, and increase market liquidity" .. [financialization] close[s] off .. public debate on alternative courses .. based on, for example, public investment, social redistribution, and social justice" (Gotham, 2014, p. 19).

A fourth financialization process, the *financialization of financial institutions,* relates to a couple of developments. First, a tendency has been observed whereby banks in many countries started to loosen their long-term relations with corporations as banks adopted market-oriented business models based on inter-bank borrowing bypassing depositors as main providers of money. The creation of growing debt and its trade through global capital markets created large financial markets and turned financial activities into an important source of profit (Hardie and Howarth, 2013). In this regard, housing related debt has become a crucial element of both banking activities and the functioning of financial systems whereby residential real estate is conceptualized as crucial collateral (Fernandez and Aalbers, 2016; Turner, 2016; Jordà et al., 2014). In addition, banks started to develop or expand investment banking activities, making trading in listed and non-listed firms an important part of their business strategies (Wojcik, 2012; Lapavitsas and Powell, 2013), i.e., exemplifying "the rise of financial markets for their own good" (Aalbers, 2008, p. 149).

Second, as many households have delegated the management of their rising stock of financial assets to investment funds, pension funds and insurers, the managers of these funds, institutional investors, have become important actors in global finance (Clark, 2000; Dixon and Monk, 2014; Froud et al., 2002; Harmes, 1998). As conventional assets as bonds and securities cannot absorb the influx of institutional money (Fernandez and Aalbers, 2016), there is pressure on all kinds of 'raw materials', such as non-listed firms (Froud et al., 2006), mortgages (Aalbers, 2008), and infrastructure (O'Neill, 2013), to be transformed into financial, tradable assets. Taken together, literature on the financialization of financial institutions illustrates how "finance is increasingly becoming 'decoupled from production to become an independent power, an autocrat over the real economy' " (Cox in Aalbers, 2008, p. 149).

In conclusion, whereas during neoliberal capitalism welfare arrangements were dismantled, making households more responsible for their current financial affairs within financialized capitalism, households are pushed into long term financial planning that make their future welfare highly dependent on financial market activity. Firms moved from conventional expansion on regular markets towards expansion on/via financial markets. State agencies discovered ‘financial alchemy’ and transformed subsidies into revolving funds prioritizing investment logics. Banks moved from supporting real economies and markets to speculation on financial markets. As such, the ways in which financialization takes place differ throughout the various actors. But, where financialization processes structurally change a political economy scholars label it as a new era of capitalism: financialized capitalism (Lapavitsas, 2009; Haiven, 2011; van der Zwan, 2014). This relates both to a new logic of accumulation—putting financial speculation central (Leyshon and Thrift, 2007; Fine, 2013)—and a new logic of regulation that puts financial investment logics central among households, state agencies, non-financial firms and financial institutions (Chiapello, 2015). To quantitatively explore if the realm for financialization processes has increased, and consequently that the Low Countries have moved towards financialized capitalism, the next sections analyse the increased presence of finance and real estate among the four actors (i.e., NFCs; households; state agencies and financial institutions) discussed above.

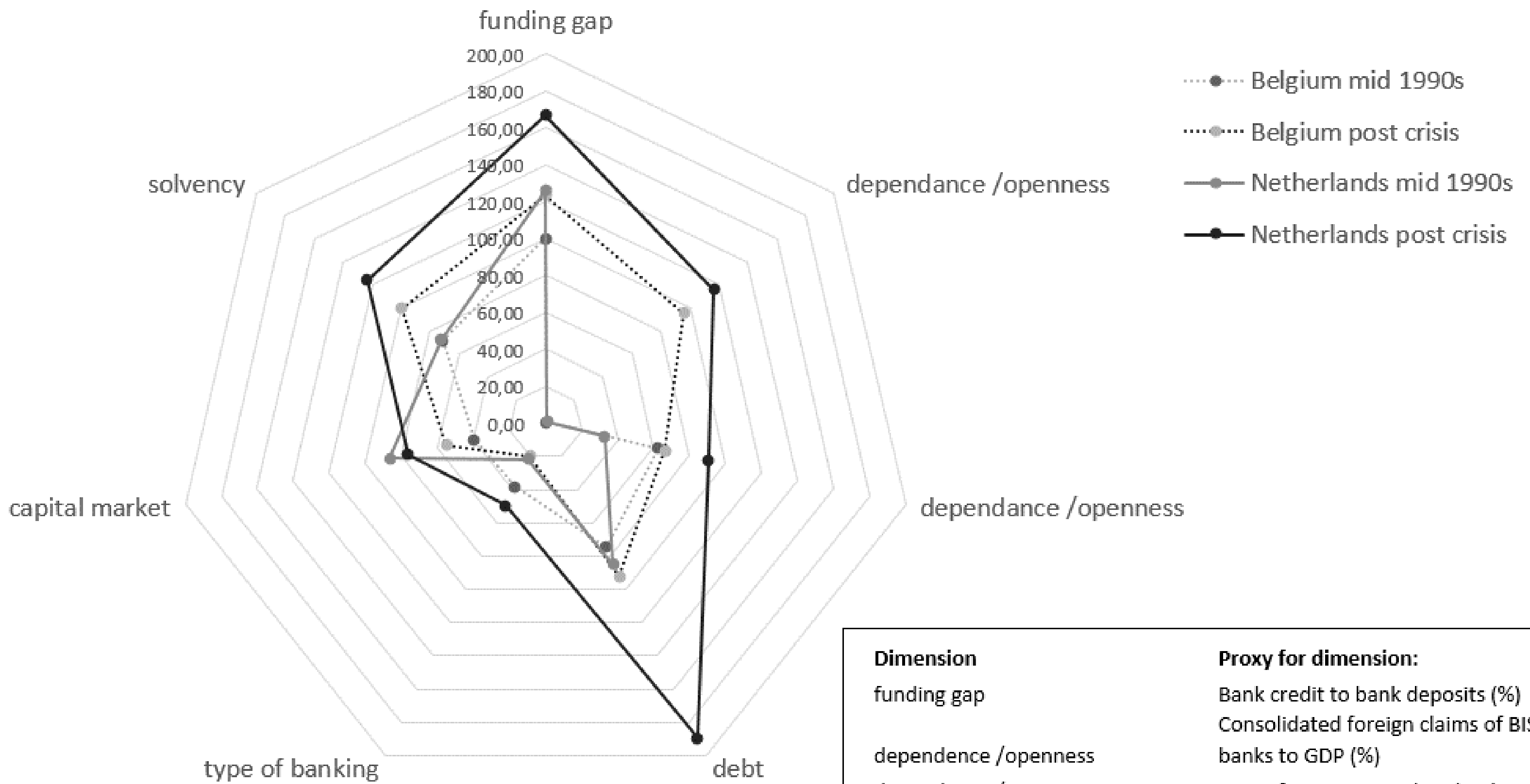
2.3 A quantitative exploration: balance sheets as heuristic device

Figure 2.1 (Fernandez, 2016; Engelen et al., 2010) displays some indicators of the power of finance within both political economies, suggesting that indicators for financialization increased considerably since the mid 1990s in both Belgium and the Netherlands. In both countries banks’ total assets grew large (relatively to GDP) and turned to capital markets to fund their increasing funding gaps. But, also deposits increased significantly. In the Netherlands, this was combined with a large increase of private credit provision that remained modest in Belgium. Capital markets, measured through stock market capitalization, rose moderately in Belgium and decreased moderately in the Netherlands. Nevertheless, both the level of most indicators relative to GDP and the increase itself is much more pronounced in the Netherlands suggesting that finance has grown faster and become more prominent within the Dutch political economy.

Whereas Figure 2.1 shows that elements of finance have become more dominant within both political economies, the discussion above and in section 1.2 suggests that within the four other dimensions of a political economy (i.e., households, state, banks and non-financial corporations) opportunities for financialization processes could also have increased considerably. To investigate this, data is available that allows for thecomposition consolidated financial balance sheets of these four actors starting in the early to mid-1990s. Using consolidated accounts removes the ‘double counting’ of the financial assets and liabilities of sub-levels.

Comparative real estate data is only available for non-financial corporations through Eurostat. To assess the increase relative to the entire economy over time and to be able to compare the assets and liabilities between the Netherlands and Belgium,

Figure 2.1 Some indicators for the rise of finance within a political economy



Dimension	Proxy for dimension:
funding gap	Bank credit to bank deposits (%)
dependence /openness	Consolidated foreign claims of BIS reporting banks to GDP (%)
dependence /openness	Loans from non-resident banks
debt	Private credit by deposit money banks and OFI's as % of GDP
type of banking	Bank non-interest income to total income
capital market	Stock market capitalization to GDP (%)
solvency	Financial system deposits to GDP (%)

Adopted from (Engelen, Konings, & Fernandez, 2010; Fernandez, 2016)
Sources: IMF, World bank, BIS

They are expressed as percentage of GDP. To balance out extreme years the data is ordered through 4-year averages. Periods are chosen according to the following logics: first data available (period I), the rapid expansion of finance in the build up to the financial crisis (period II), latest data available (period III) (cf. Ward et al., n.d.).

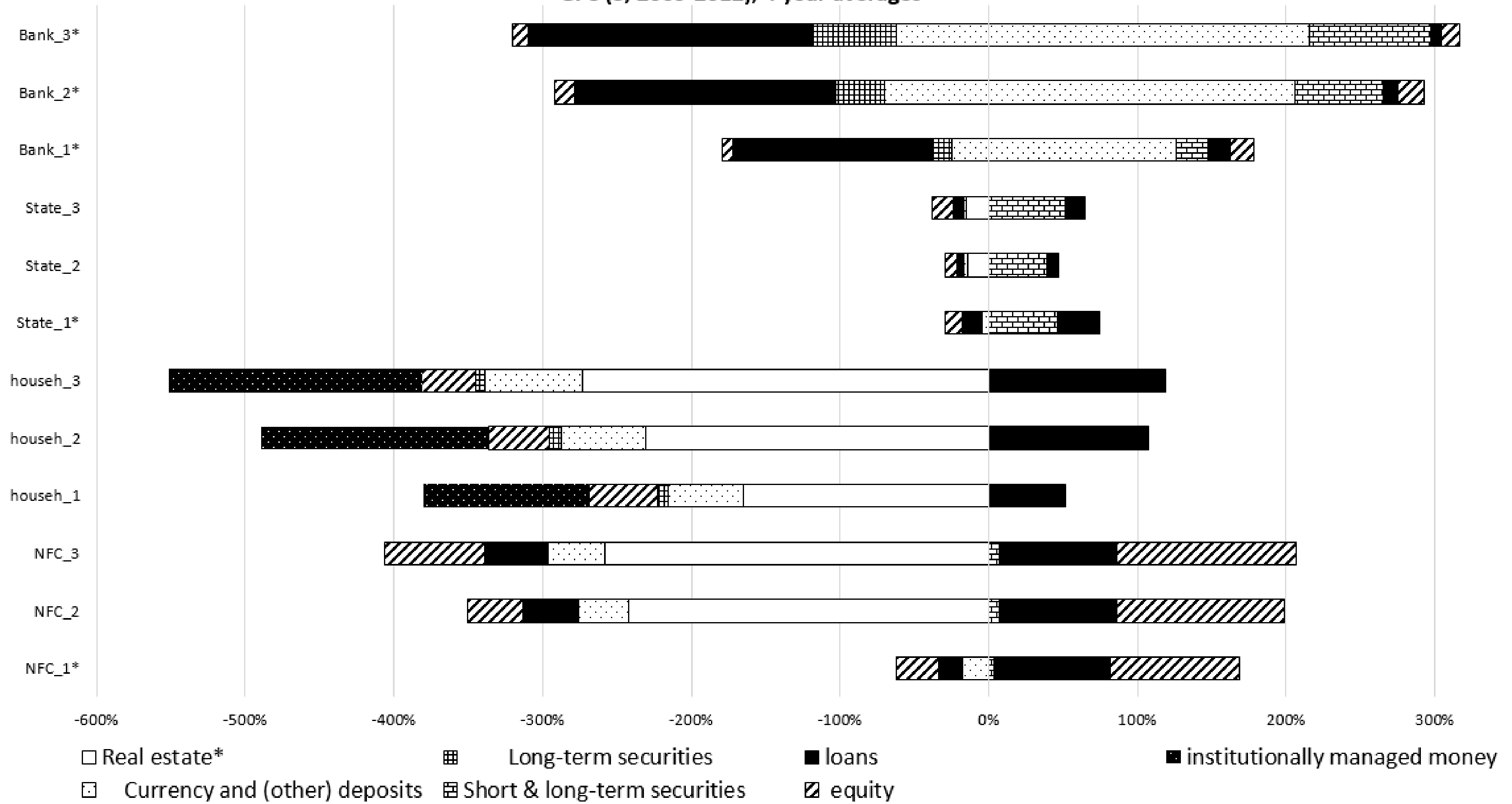
The resulting Figures 2.2 and 2.3 can be looked at as a heuristic device that allows a quantitative screening of the changing importance of both finance (through financial assets and liabilities) and real estate (through real estate related debt and assets) since the early 1990s. Stylistically, the discussion of these balance sheets in the subsequent sections is ordered through the four different actors and related to the academic literature on the Low Countries. However, it is crucial to acknowledge that these actors are interconnected and, as chapter 1 argues, it is precisely these interconnections that are at the centre of this dissertation. Moreover, these balance sheets only offer a quantitative screening. They do not offer insights on, for instance, how assets and liabilities are concentrated or spread within the different actors. As such, for instance, although households could look very rich, financial wealth could be concentrated among a select group of people. Neither do the balance sheets offer information about the motives of the holders of these assets and liabilities. Nonetheless, combined with relevant academic literature, the balance sheets create interesting insights into the rise of finance and real estate within the Belgian and Dutch political economies.

2.4 Real estate and finance on the balance sheet of the Dutch political economy

Compared to other European countries, the ratio of both financial assets and liabilities to GDP of the Netherlands is very high (Brown et al., 2014). Figure 2.2 clearly shows how among all four actors, financial assets and liabilities have become relatively more important to the real economy (i.e., GDP). And, indeed,this can also be seen in how various studies describe how various financialization processes have been observed throughout these actors: there is a rich literature on the financialization of the Dutch political economy.

During the 1990s, *banks* switched to market oriented banking, then using excessive mortgage production and securitisation of residential mortgages as a growth-model that was expressed through an aggregated bank balance sheet that started to include more foreign and complex assets and liabilities (Engelen, 2015; Chang and Jones, 2013). The link with residential real estate as crucial input for Dutch banking growth has been described extensively (Aalbers et al., 2011; Engelen, 2015; Aalbers, 2008). However, although it led to the nationalization of the fourth largest bank SNS Reaal (Boon et al., 2014), the creation of excessive commercial real estate related debt has not been studied yet. Ultimately, the large amount of assets and liabilities related to both domestic and foreign real estate debt and strong ties with global finance led to severe banking losses during the Great Financial Crisis and the nationalization of two of the four largest domestic banks (ABN Amro and SNS Reaal).

Figure 2.2 Financial assets & liabilities-to-GDP the Netherlands first data available (1, 1992-1995) pre-GFC (2, 2004-2007) post-GFC (3, 2009-2012), 4 year averages



* no data to give indication for real estate values

Sources: CBS (2016); Eurostat (2016); OECD (2016)

The *central state* first shrank its balance sheet through a wave of privatisations and decentralization of tasks in order to comply to the Maastricht treaty that required, among other things, bringing state debt below 60% of GDP. Many (partly) privatised entities such as housing associations, universities and health care organizations got involved in haute finance, for instance by using derivatives to finance ambitious real estate projects or to use them in a very speculative manner (Engelen et al., 2014; Aalbers et al., 2017). During the financial crisis the state started to borrow heavily in order to save domestic financial institutes, which increased both state debt and equity holdings of the state in financial institutions (Bezemer and Muysken, 2015, p. 7).

Households experienced a strong increase in real estate wealth, mortgage debt and pension fund savings. The first two elements are a clear expression of the financialization of the Dutch housing markets (Bezemer and Muysken, 2015; Aalbers et al., 2011; Aalbers, 2008). The latter relates to the combination of economic growth, increased labour participation, pension fund reforms, and a mandatory pension fund system, which set in motion the creation of a huge pool of Dutch institutional money. This accumulated into the largest pension asset to GDP ratio in the world that was primarily invested in foreign bonds and equity (Fernandez, 2011; Dixon and Monk, 2009; McCarthy et al., 2016; Hollanders, 2016).

In particular *large non-financial corporations* switched towards a focus on capital gains instead of growth in production. This is expressed through increased debt, and in particular, through the increase of equity in other firms (asset side): from 28% to GDP in the first period to 67% in the most recent period (Bezemer and Muysken, 2015; Engelen et al., 2008). Waves of privatisation and deregulation opened up Dutch corporate governance for providers of financialized capital that stimulated large, internationally oriented Dutch corporations to adopt growth strategies that focused on bolstering financial results. Nevertheless, corporate borrowing remained relatively stable over time suggesting a less dramatic change in the relationship between banks and corporations that only moderately turned toward the global debt markets (Engelen et al., 2008; Engelen et al., 2010; Bezemer and Muysken, 2015).

Unfortunately, there is no data available for all actors (i.e., banks, central state, households and non-financial corporations) for each period displayed in figure 2.2 about their real estate holdings. Moreover, the data available only gives a rough estimation of real estate prices. Nonetheless, for the central government, non-financial corporations and household's real estate is in periods 2 and 3 by far their most valuable asset and much of their liabilities also relate to real estate activities. Only for households there is real estate price data available on the entire period that shows, in line with the literature (cf., Aalbers et al., 2011; Bezemer and Muysken, 2015) a considerable increase in housing values to GDP. The central government mostly owns real estate that is used by government agencies, but this could be an interesting realm for future studies as the latest government has started to sell many properties that are not used by state agencies anymore. The ways in which Dutch corporations use real estate holdings is under-researched. However, the values reported by Eurostat seem to be rather high because many corporations tend to rent their properties. Therefore, this is an interesting area for future research. Banks mostly act as lenders and intermediaries for property owners and not as property owners themselves. However, due to the many bankruptcies since 2008, they did become owners of sizeable property portfolios (DNB, 2013), however, this is not observable in the OECD data.

2.5 Real estate and finance on the balance sheet of the Belgian political economy

Belgium and the Netherlands have similar ratios of both financial assets and liabilities to GDP. Therefore, Belgium's ratio is also very high compared to other European countries. Figure 2.3 (below) clearly shows how, compared with the early 1990s, the financial assets and liabilities of all four actors have become more important, relative to the real economy (i.e., GDP). However, at the start of this PhD thesis, there were, to the author's knowledge, no academic studies explaining if and how this stretching of balance sheets has enabled financialization processes related to real estate.

Banks: privatisation during the 1990s transformed a reservoir of deposits that were traditionally managed by risk averse public agencies into an engine for opportunistic commercial bank growth (Chang and Jones, 2013; Ardaen, 2012; Depuydt, 2010). Belgian banks became highly connected to international finance, thus making extensive use of shadow banking in order to attain credit and thereby importing risks from global finance on their balance sheets. Therefore, the credit crunch created severe problems and led to the nationalization of two of the four largest in-Belgian active banks, i.e., Fortis and Dexia (Chang & Jones, 2013). Whereas Dutch banks played a clear role by also fuelling domestic real estate markets through excessive borrowing, the role of Belgian banks towards domestic real estate markets remains understudied.

The stretching balance sheet of *non-financial corporations* does suggest an expanding realm for financialization processes. However, to the author's knowledge, no case studies on the financialization of Belgian firm(s) has yet been published. Also, a large part of the increased liabilities consist of equity that is often provided by wealthy Belgian households who aim to increase their multi-generational wealth in a slow, low-risk manner (Daems, 1998; Molly et al., 2012). According to the literature (Deeg et al., 2016; Lehrer and Schmid, 2015; Fichtner, 2015) this patient capital could create an important barrier to processes of financialization as it resists the adoption of high levels of external capital, or complex financial products as patient capital providers are hesitant to cede control over their business model to financial actors.

State: successive waves of regionalization have created three regions that operate rather autonomously but still need to cooperate on many issues requiring multiscalar compromises that are often used only after extensive periods of time and long negotiations with employers' organizations, labour unions and other corporatist structures. This ultimatley leadsto slow economic restructuring (Oosterlynck, 2010; Moulaert and Willekens, 1985; Stouthuysen and Jans, 2009). Also the heavily indebted

Belgian state, to meet the Maastricht criteria, implemented austerities and privatisations. But, it did so at a slow pace. Furthermore, state agencies often remained important shareholders within these partly ‘privatised’ organizations. In line with the Netherlands, the Great Financial Crisis also led to the increased participation of the state into financial actors primarily Forits and Dexia. In regard to public assets and in particular government buildings, both the rise of sale and lease back constructions and the sale of public infrastructure (such as the Brussels airport) are interesting, under-studied areas (Deruytter and Derudder, 2015).

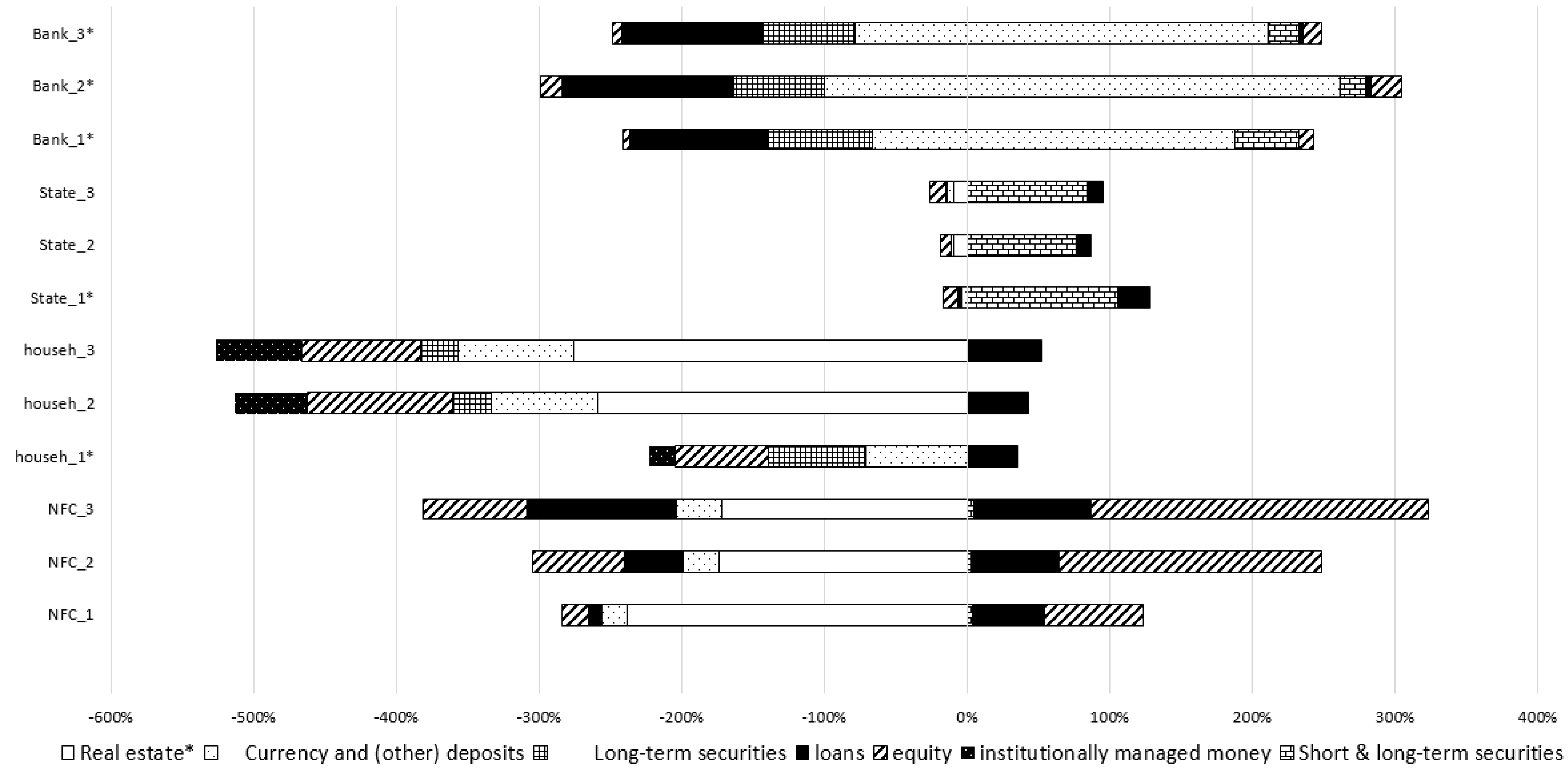
Households financial assets remained stable but on high levels consisting of portfolios that are primarily managed by households themselves of savings, equity in listed and non-listed firms, securities (especially Belgian state bonds) and, particularly low-leveraged residential real estate. Although pensions are mainly provided by the state through a pay-as-you go system, recent reforms combined with an increased sense that the state would not be able to meet all future financial obligations, have made self-funded pension schemes more popular, thereby increasing the amount of institutionally managed assets (Naczyk, 2012). With a long tradition of self-provision, mortgage debt to GDP is rather low and private landownership dominant thus resulting in a landscape of fragmented ownership (De Decker, 2011; De Decker et al., 2005; Kesteloot and Maesschalck, 2001). However, rising land and housing prices combined with low interest rates and policy changes (that make interest rates partly deducible) have recently led to an uptake in mortgage debt. This suggests that at least some segments of home-buyers are beginning to experience the rise of housing finance (Damen et al., 2016; Meeus and De Decker, 2013; Winters and Van Den Broeck, 2016).

2.6 An increased potential realm for financialization in the Low Countries

Despite the Great Financial Crisis, in all four actors, except the Belgian banks, financial assets and liabilities have increased more significantly than the Low Countries’ real economies have grown (see Figures 2.2 and 2.3). Due to the lack of data the growth in real estate assets is more difficult to describe quantitatively. But, in the most recent period, real estate assets are the largest possession of households, non-financial corporations and the central state in both countries. Also, a considerable part of the debt of all four actors relates to real estate activities. The sheer size of real estate assets(roughly 5.5 times GDP in the last period in the Netherlands and 4.5 in Belgium) and financial assets (respectively roughly 7 and 7.5 times GDP) confirms that both real estate and finance have become crucial elements of both the Dutch and Belgian political economies. This is in line with the general developments described in the financialization literature, and suggests the origination of a real estate finance driven growth regime (Jessop, 2001; Hofman and Aalbers, n.d.; Aglietta, 1998; Boyer, 2000).

Ultimately, this brings to the fore that the potential realm for financialization processes related to real estate has increased considerably in both countries.

Figure 2.3 Belgium: financial assets & liabilities-to-GDP first data available (1, 1992-1995) pre-GFC (2, 2004-2007) post-GFC (3, 2009-2012), 4 year averages



* no data to give indication for real estate values

Sources : Poullet (2013); Eurostat (2016); OECD (2016)

However, these processes have received much scholarly attention in the Netherlands, but not nearly as much in Belgium. This can be seen in, for example, how Belgian scholarship on financialization was, at the start of this PhD thesis in 2013, non-existing. Thus, the information gathered within this current thesis begins to shed light on a matter that has thusfar been under-analysed.

To identify interesting research areas for comparative research, Table 2.1 summarizes the developments described above, including the literature. It also indicates where processes of financialization interact with real estate practices:

Households, housing finance: While the rise of housing finance and its influence on the Dutch political economy has been studied extensively there are only a few recent publications that describe, but do not explain, the probable start of a similar process in Belgium (Winters and Van Den Broeck, 2016; Damen et al., 2016; Meeus and De Decker, 2013). Therefore, a comparative study on the rise of housing finance could be very interesting. As the rise of housing finance in the Netherlands and concessive financialization of residential real estate has already been researched thoroughly this will not be a central topic in this dissertation. However, the (non-)financialization of real estate markets will be a crucial factor to developing an understanding on how the financialization of urban development does (not) take place.

Households, asset management: While a much larger part of the financial assets of Dutch households are managed through pension funds and insurers (i.e. by institutional investors) financial assets in Belgium are primarily managed by households themselves: in the most recent period displayed in Figures 2.2 and 2.3, Belgian households had 83% to GDP in equity and 60% to GDP in institutional managed money versus respectively 36% and 171% in the Netherlands. A much larger amount of equity managed by households themselves could be an indication for the existence of large stocks of family capital. This multi-generational wealth that is looking for sustainable growth is an important type of patient capital, because it can function as a barrier to financialization processes (Lehrer and Schmid, 2015; Arregle et al., 2007; Deeg et al., 2016). On the other hand, institutional investors are an important force for financialization (Aglietta and Breton, 2001; Harmes, 1998; Froud et al., 2002; Dixon and Monk, 2014; Clark, 2000; Wissoker, 2013). Both patient capital and institutional investment will be, as this doctoral thesis will argue, crucial elements to explain the (non-)financialization of urban development in the Low Countries.
State. Since the start of this doctoral thesis in 2013 various studies have described the active involvement of state agencies that are enabling processes of financialization (Gotham, 2014; Lagna, 2015a; Pani and Holman, 2014; Ashton et al., 2016; Hendrikse, 2015). This includes two studies on the Netherlands, that show how real estate was transferred to asset rich semi-public entities that opened up financialization processes (Engelen et al., 2014; Aalbers et al., 2017). Recently, in Belgium some semi-public agencies such as universities went to bond markets to find new sources of income as

Table 2.1 Financialisation and real estate in the Low Countries among four actors: literature and observations

	The Netherlands	*Belgium*
The national level		
Households	A) rise of housing finance since mid-1990s	A) rise of housing finance since mid-2000s?
	Aalbers (2008, et al. 2011), Engelen (2015)	*Winters (2014), De Decker et al. (2013), Damen et al. (2014)*
	B) creation of large institutional investor's assets	B) barrier to financialisation through large individual assets
	Engelen et al. (2010), Dixon & Monk (2008), Fernandez (2011)	*Molly et al. (2012), Daems (1998)*
State	Privatisation transferring real estate to semi-public: real estate as an opportunity	Lack of public funding/public buildings: real estate a cost?
	Semi-public agencies adopting processes of financialization	
	Rise of DBMF-contracts around infrastructure projects	Rise of PPP around infrastructure projects
	Engelen et al. (2015), Aalbers et al. (2017)	*none*
Banks	rise of market oriented banking	rise of market oriented banking
	through excessive mortgage production and securitisation	through excessive inter bank lending
	Engelen (2015), Chang and Jones (2013)	*Ardaen (2012), Depudt (2010), Chang and Jones (2013)*
Firms	large corporations internationalized through debt generation	family capital as barrier to debt generation and M&A
	and M&A, borrowing directly from capital markets	regional orientation, risk averse
	Bezemer and Muysken (2015), Engelen et al. (2008)	*Molly et al. (2012), Daems (1998)*
The urban level		
	no literature	*no literature*
	process of financialisation in which real estate plays a prominent role	

Focus of this PhD: the finanialization of urban development state budgets are insufficient to cover maintenance costs (Sephila and Moens, 2015). Therefore, it could be extremely interesting to compare an asset rich Dutch university (e.g., VU) with an asset poor Belgian university (e.g., VUB) to analyse if and how these differences spur various processes of financialization. However, as these developments only became observable within the third year of this PhD thesis, they have not yet been studied.

Another interesting realm relates to the construction of public infrastructure in particular roads, railways and canals. During the 1980s and 1990s Dutch construction firms made price arrangements that became illegal after the implementation of European legislation. Construction firms also 'pampered' civil servants, making "cartels and collusion … structural and widespread" (Dorée, 2004, p. 184). After a Parliamentary Commission of Inquiry and various lawsuits, construction firms received high fines and the Dutch government implemented a trajectory of cultural change that aimed to establish 'market-like', 'professional' relationships (Priemus, 2004; Marrewijk and Veenswijk, 2016). In this more 'business-like realm' Design Build Finance and Maintain (DBFM) contracts became more popular whereby private consortia bid very low in order to receive these long-lasting government contracts, thereby resulting in severe financial problems for construction firms (Hueskes et al., 2016). In Belgium, with an enduring urge to lower government budgets in order to comply to European budget norms, public private partnerships also became rather popular during the 2000s. As a result, in particular the DBFM-contracts, as they, for a while, enabled to put infrastructure costs off the state's balance sheet, became rather popular in Belgium (Hueskes et al., 2016).

A recent wave of PhD theses on Public Private Partnerhsips (hereafter PPP) on infrastructure projects in the Low Countries (see Hueskes et al., 2016 for an overview) shows how this structure, that was imported from an Anglo-American realm, often is in conflict with the existing institutional context in both political economies. This centres our attention to how linkages between state agencies and real estate actors can change over time, and it would be extremely interesting to put, in line with the international literature (Allen and Pryke, 2013; Torrance, 2009),. In this regard, chapter 6 is a first attempt for doing so at a lower scale level. This is done through studying the rise of new municipal instruments (including PPPs) in order to steer urban development and how this connects municipal finance to (financialized) real estate markets. As chapter 6 focuses on a long period it allows to analyse if(in line with the construction of public works) the closeness of ties between civil servants and other real estate actors also varies over time.

Banks the role of banks in the financialization of the Dutch housing markets has already been described extensively. However, in both countries, there are no studies on the ways in which banks are connected to commercial real estate markets and real estate development activities. Hence, this will now become a central topic throughout this doctoral thesis.

It could be very interesting to analyse how the large portfolios of real estate of *non-financial corporations* influence their business strategy. Is real estate looked at a necessary input for the production process, or, are firms treating their land and real estate assets also as investment properties or collateral for loans? However, as chapter 1 argues, this doctoral thesis uses a more specific approach through looking at urban development and thereby putting real estate development corporations (so a small part of all non-financial corporations) central in the analyses.

In conclusion, this chapter indicates that finance and real estate have become dominant elements within the Dutch and Belgian political economy. Therefore, it could be expected that, together with the stretching of balance sheets of almost all actors within both political economies, it is likely that the realm for financialization processes has expanded—potentially witnessing the origination of a real estate finance driven growth regime (Smart and Lee, 2003; Hofman and Aalbers, n.d.). Consequently, both countries seem to be fruitful terrain to study the financialization of urban development.

Bringing the balance sheets in conversation with the literature, shows that there are many connections between the actors that need to be further scrutinized. Moreover, the ‘nature of’ the stretched balance sheets could be rather different. For instance, Belgian household’s assets seem to be often invested domestically in risk averse, conservative ways potentially functioning as “patient capital”, while a large part of Dutch household’s assets is institutionally managed and invested in opportunistic ways on global financial markets, potentially spurring financialization processes. Put differently, it could be that increased financial assets and liabilities are used in different ways suggesting different pathways of both political economies. Therefore, the next chapters will analyse different sub-units within the various actors to analyse whether, and if so how, urban development has financialized in both countries. Central in these analyses will be how capital providers (i.e., banks, institutional investors private investors) interact with the producers of the built environment (i.e., real estate developers, municipalities) and how state agencies influence this interaction.

Chapter 3 How Real Estate Became 'Just Another Asset Class': The Financialization of the Investment Strategies of Dutch Institutional Investors

This chapter is a paper that has been published:
Loon, J. van, and Aalbers, M.B. (2017) How Real Estate became 'Just Another Asset Class': The Financialization of the Investment Strategies of Dutch Institutional Investors. *European Planning Studies,* 25(2), pp. 221—240.

I have gathered the empirical data for this chapter and wrote a first, very long version of the chapter. Then, Manuel Aalbers re-wrote it into a much shorter version. From there, and during the subsequent reviewing-process, we worked together on the paper. The only adjustments made below are the addition of section-numbers and change of the Figure and Table numbers.

Abstract
The managers of a growing wall of money are continuously searching for investment opportunities. The financialization literature describes how this mobile capital puts pressure on commodities, debt, public services and economic activities to transform into investable, tradable, financial products. Regarding real estate, these investigations show how opaque, local, nonstandardized goods, highly depending on both local legislation and developments, have been transformed into liquid, globally traded financial assets. By analysing the real estate investment strategies of Dutch institutional investors since the 1980s, this paper shows how a quantitative framework increasingly provides the basis for institutional investors' real estate investment strategies. Direct ownership of properties has been exchanged into shares of properties, that is, fictitious capital, creating an impetus for 'objectified numbers' to measure the performance of these indirect investments. As knowledge about real estate has been outsourced, Dutch institutional investors now perceive real estate increasingly as 'just another asset class', thereby increasing leverage and volatility. This paper not only shows how finance 'financialized' itself by adopting a quantitative investment perspective, but it also offers an empirical account on how investment properties are transformed into financial assets that put pressure on state agencies to mobilize urban planning to deliver more of such assets.

3.1 Introduction
Since the 1970s financial re-regulation, digitalization and demographic developments are important drivers for the creation of a large, mobile pool of capital-seeking profitable investments. As many households have delegated the management of their savings to investment funds, pension funds and insurers, the managers of these funds, institutional investors, have become important actors in global finance (Clark, 2000; Dixon and Monk, 2009; Harmes, 1998). The financialization literature offers rich empirical accounts on how the increase in institutional money has transformed a wide

variety of (public) goods, firms and economic activities into financial assets (Aalbers, 2008; Engelen et al., 2014; O'Neill, 2013; Weber, 2010).

But, as studies often focus on the effects of the rise of financialized capitalism, "finance itself…is all too often black boxed" (Christophers, 2015, p. 191). This paper aims to contribute to unravel the black box of finance by showing how financial actors (institutional investors) themselves can start prioritizing short-termism, financial calculations and logics. It does so by analysing how Dutch institutional investors, who manage an estimated 6% of all global institutional assets (OECD, 2013), have financialized their real estate investment strategies. The credit crunch of 2007 revealed how financial actors are deeply motivated to liquefy illiquid assets such as real estate to further enlarge the financial sphere, further integrating real estate and financial markets (Aalbers, 2012; Gotham, 2006; Hudson, 2010).

The resulting Great Financial Crisis has shifted scholarly attention towards 'financialization practices' and delivered sophisticated insights on, among other things, the rise of housing finance/debt (Fernandez and Aalbers, 2016; Schwartz and Seabrooke, 2008), the interlinkages between financial and real estate markets (Lizieri and Pain, 2014; Aalbers et al., 2017), the financialization of urban (re)development (Guironnet et al., 2016; Weber, 2015) and, crucial to our argument, the tendency to treat real estate and land as a financial asset (Haila, 1988; Harvey, 2006; Kaika and Ruggiero, 2016; Merrifield, 1993; O'Neill, 2013; Savini and Aalbers, 2016; Teresa, 2015; Theurillat et al., 2016). Work on the latter illustrates how institutional investors have transformed the most spatially fixed investment class, real estate, despite its indivisibility, immobility, illiquidity, long-term investment horizon and dependence on specific local rules and practices (Coakley, 1994; Lizieri, 2009), into tradable financial assets such as shares, bonds and securities.

Accordingly, state agencies and public policies are increasingly steered into facilitating financial investments into real estate and infrastructure, thereby triggering changes in organisational culture and transforming urban planning from providing public goods to facilitating the creation of financial assets (Deruytter and Derudder, 2015; Engelen et al., 2014; Guironnet et al., 2016; Halbert et al., 2014; O'Neill, 2013). Furthermore, investment into real estate is being mobilized as part of the 'soft power' of states, in international politics (Büdenbender & Golubchikov, 2016). Whereas there are many studies on the intermediaries–primarily real estate developers/consultancies and local governance–who translate these financial goals into the built environment (Halbert and Attuyer, 2016; O'Neill, 2013; Savini and Aalbers, 2016; Weber, 2015), there is surprisingly little knowledge of how financial goals have come to dominate the real estate investment strategies of institutional investors and how this affects the built environment. Although Henneberry and Roberts (2008) demonstrate clearly the effects of the financialized real estate investment strategies of British institutional investors, to the authors' knowledge the only research that shows how and why this process takes place is on Swiss pension funds (Corpataux et al., 2009; Theurillat et al., 2010).

To fill this gap, this paper presents a likely case: Dutch institutional investors are both strongly embedded into global finance and in a hybrid Dutch political economy with highly financialized elements (Engelen et al., 2010). As this paper will illustrate, since the 1990s the investment strategies of Dutch institutional investors increasingly mimic Anglo-American practices and have become structured around financial metrics. Crucial is the transformation of direct ownership of properties into real estate shares, a form of fictitious capital that removes the link between the investor and the geographies their investments are located in, as fictitious capital "represents the 'self-moving substance' of finance capital" (Godden, 2011, p. 860), where the price paid for fictitious capital (i.e. shares, securities and debt) may "fluctuate according to their own laws quite independently of the movement of the value of the real capital" (Harvey, 2006, p. 278). Consequently, instead of acting as a non-correlating asset that hedges portfolios against risks on financial markets, real estate is treated as any other financial asset making investment portfolios, and therefore investments in the built environment, more volatile (see Mosselman, 2013).

The next section of this paper, first, discusses how pension funds and insurance companies change the management of their growing pool of investment capital, and, second, introduces the concept of fictitious capital to better understand this change. Subsequently, we describe the rise of Dutch institutional investors embedded in a financializing Dutch political economy, and present an in-depth examination of how institutional investors increasingly use a quantitative framework as the basis for their real estate investment strategies—they started to perceive real estate increasingly as just another asset class. However, the final part of this paper points to some detrimental effects of this view, such as spurring geographical uneven development.

3.2 Institutional capital in search of investment opportunities

Since the 1970s, a growing imbalance between the growth rate of the stock of savings and gross domestic product (GDP) is observable within some countries, creating a large pool of investment capital. In addition, waves of financial liberalization and deregulation combined with digitalization have made finance much more footloose (Clark, 2000; Fernandez and Aalbers, 2016). Even though households are responsible for the inflow of money to institutional investors, decisions related "to capital allocation have become increasingly centralized"(Harmes, 1998, p. 101) to institutional investors.

In 2012, $30 trillion of the $78 trillion assets under management by institutional investors globally was managed by investment funds, $25 trillion by insurance companies and $22 trillion by pension funds (OECD, 2013). For the Netherlands, a country that has, at 159.3%, the highest pension-fund-assets-to-GDP ratio in the world (OECD, 2015, p. 9), it is estimated that €383 billion is managed by investment funds and €1439 billion by 414 pension funds and 101 insurers, respectively (Gebraad, 2014). With regard to pension funds, 15 funds have portfolios above €10 billion, and many funds have outsourced both administrative tasks and asset management to external asset managers, whereby the largest four Dutch asset managers combined at the end of 2012 had €643 billion assets under management–APG (€336 billion), PGGM (€145 billion), MN (€95 billion), Syntrus Achmea (€67 billion)–and the largest foreign asset manager, Blackrock, €100 billion (OECD, 2014). Although it is acknowledged that there are important differences between pension funds and insurers (hereafter collectively referred to as institutional investors), in the Dutch case their real estate investment strategies have financialized in a rather similar fashion.

The literature on pension fund capitalism offers detailed accounts of how financial liberalization has enabled pension funds to develop more sophisticated investment strategies for their rapidly growing asset portfolios, thereby often implementing an Anglo-American institutional architecture structured around financial logics (Clark, 2000; Corpataux et al., 2009; McCarthy et al., 2016). Fundamental to pension funds' investment models is 'Modern Portfolio Theory' (Markowitz, 1952) that is aimed at finding a match between future liabilities, optimal asset performance and risk minimization. In order to create stable income to meet long-term liabilities, institutional investors need to diversify their assets under management, and the performance of different assets should be as uncorrelated as possible (Clark, 2000; Corpataux et al., 2009).

With a growing and internationalizing asset portfolio, the strategy of portfolio diversity creates the urge to have clear, standardized numbers about asset values which can be easily compared and benchmarked (Aglietta, 2000; Dixon and Monk, 2009). The language to describe assets financially consists of seemingly easily understandable numbers: asset value is measured via its fair value, asset performance via rates of return and investment costs, and risks are estimated via probabilities (Perry and Nölke, 2006; Theurillat et al., 2010). Quantification techniques are used to translate qualitative information into quantitative information, into "objectified truths" (Aalbers, 2011a; O'Neill, 2013). But, as conventional assets such as bonds and securities cannot absorb the influx of institutional money, there is pressure on all kinds of 'raw materials', such as non-listed firms (Froud et al., 2006), mortgages (Aalbers, 2012), (student) loans (Montgomerie, 2009), infrastructure (O'Neill, 2013) and building rights (Weber, 2015), to be transformed into financial, tradable assets. Put differently, institutional investors pressure for financialization as "Income streams from a wide range of assets are converted into new investment products for dispersed investors through techniques that disaggregate and continually reassign ownership to allow for more and faster-paced exchanges" (Weber, 2010, p. 252). Real estate is the largest alternative asset (Andonov et al., 2015).

This process of financialization, as the recent financial crisis has demonstrated, has been problematical: the transformation of investments embedded within complex economic geographical contexts into financial assets does not make real risks disappear (Aalbers, 2012; Pani and Holman, 2014). Regarding real estate investments, the underlying assumptions of portfolio theory–such as approaching risks as calculable probabilities (Theurillat et al., 2010)–seem to be a poor translation for the complex geographies properties are located in (Lizieri, 2009). But, also, while real estate investments can be "positive in terms of generating the risk-adjusted market rates of return necessary to fulfil the fiduciary duty of pension funds, this approach can and does lead to investment optimization based on potential profit rather than broader public good" (Hebb and Sharma, 2014, p. 489).

This is most clearly observable in the way financialized real estate investments are concentrated within very specific areas, that is, the areas that are believed to offer the best 'risk-adjusted rates of return' (Lizieri and Pain, 2014; Theurillat et al., 2016). In the United Kingdom–where real estate investments can be read as financial assets through the Investment Property Databank benchmark delivering calculated numbers on fair values, rate of returns and investment costs–investors are now buying properties for their financial characteristics rather than for their potential within the urban fabric, thereby mimicking the benchmark, concentrating investments in select locations and creating herd behavior (Henneberry and Roberts, 2008; Lizieri and Pain, 2014).

Since the 1990s, institutional investors have set in motion the securitization of real estate ownership via the rise of Real Estate Investment Trusts, transforming sizeable stacks of global investment property into listed and non-listed shares (Andonov et al., 2015; Gotham, 2006). For some scholars, this transformation is a form of "financial engineering" as it transforms real estate investment into a "*logic of portfolio management*, investors compare the *financial* risks and yields of one real estate investment fund (in offices, flats, infrastructure), with another, but above all with those of other categories of financial assets" (Theurillat et al., 2016, p. 1514 emphasis in original). Consequently, in real estate markets similar practices as observed in stock markets such as herding (to properties in specific locations), higher trading frequencies, more volatile capital markets, and an integration of financial markets (debt), property investment markets and equity markets can be witnessed (Coakley, 1994; Henneberry and Roberts, 2008; Lizieri and Pain, 2014).

The transformation described here illustrates how institutional investors shifted their investments from 'real' economic sectors where "returns and risk are understood in relation to the particular spaces and times in which production and economic cycles take place" into "the financialized sphere of the economy, [where] the risk-returns dichotomy corresponds to…a financial engineering exercise" (Corpataux et al., 2009, p. 321). These financial investments can be labelled as fictitious capital, that is, marketable claims "on the production of surplus value and on the perceived value of the underlying asset–both of which are relationally produced in time and space" (Pani and Holman, 2014, p. 218). Fictitious capital is a crucial condition for the capitalist 'real' economy as it extends capital "in advance, in anticipation of future labor as a counter-value" (Harvey, 2006, p. 266). It is expected that the investments made with fictitious capital, such as in machinery or infrastructure, improve the production process creating more surplus value, allowing paying back the received capital plus interest. However, by borrowing money, the capital becomes tied to specific uses, while investors prefer investments they perceive as liquid enabling easy switching to activities that are perceived to be more profitable or more in line with future liabilities. Fictitious capital removes these barriers because a piece of paper, for example, a security or a bond, is produced that is backed by an unsold commodity, and these papers can be traded themselves (Godden, 2011; Harvey, 2006). The prices of these titles may then fluctuate according to their own laws “quite independently of the movement of the value of the real capital” (Harvey, 2006, p. 268), for example on stock exchanges.

Within financialized capitalism, fictitious capital increasingly grows “independently of the economy’s ability to pay” (Hudson, 2010, p. 421), making repayment of the expected future dividends and interest payments problematic. Inevitably, crises hit, often triggered by an unexpected, relatively small event, a so-called Minsky moment: “moments when claims to value are no longer taken ‘at face value’ but instead fail to achieve liquid transferability into other forms of capital” (Haiven, 2011, p. 115). Consequently, extreme uncertainty about fictitious values arises, resulting in strong devaluations and severe economic downturns (Jessop, 2015; Nesvetailova, 2006). Fictitious capital also has an essential role as lubricant for the production process, in particular by spurring development in the ‘real’ economy and the built environment as it makes large investments possible (Harvey, 1978; Harvey, 2006; Teresa, 2015). Therefore, the argument is not that fictitious capital and related practices such as securitization are inherently destructive, but that the dominance of fictitious capital is endemic to financialized capitalism and results in more volatile accumulation cycles and more devastating periods of devaluation (Aalbers, 2008; Harvey, 2006).

Another essential element of fictitious capital is that it replaces direct investment into economic activities by investment into shares, securities and bonds that are only indirectly related to economic activities (Pani and Holman, 2014). Therefore, a focus on financial profitability, often established via forms of financial engineering, starts to prevail over a focus on the production process (Aglietta, 2000). Consequently, attention shifts to financial techniques to increase the fictitious capital of assets such as debt generation to fund share buy-back programmes, leveraged takeovers and dividend payouts, or making financial assets leading within business models (Froud et al., 2006).

To sustain the ‘credibility’ of fictitious values, that is, the belief that future income will meet expected rates of return, perception has become crucial. Put differently: “is not that their fictionality yields no matter (without matter, fictionality would be easily discredited), but that the matter which it yields, often excessive in its realness…includes within that realness a constant anxiety that the secret will explode” (Godden, 2011, p. 858). Doubts or higher expectations about these mystified values cause large up- and down-swings in the daily expression of fictitious values via, for instance, stock exchanges, leading to extremer manias and panics (Kindleberger, 2000). But, in regard to the built environment, there is also space to contest fictitious values, for instance, by “ ‘telegraphing’ the true costs of operating housing’ so that market actors know that they cannot 'get their leverage on their tenants' backs" (Teresa, 2015, p. 480).

In sum, in the last decades, a growing pool of investment capital is searching for investment opportunities. This money is often owned by a large number of households, but the decision power around the investments is delegated to specialists, in the Dutch case primarily pension funds. Based on the literature, it is expected that Dutch institutional investors have adopted a strong financial perspective in which the 'risk-adjusted rate of return' becomes the leading rationale (Hebb and Sharma, 2014). However, despite a wide range of papers showing the effects of what, for lack of a better label, we could call 'the financialization of finance', empirical accounts on how this process takes place are rare.

The theoretical discussion above suggests that the financialization of real estate investment strategies could be operationalized through the following three indicators. First, key to these strategies is that financial calculations concerning risk and rewards become central, preferring a quantitative over a qualitative assessment, thereby reducing the relationship between the investor and the real, existing geographies that properties are located in. Second, short-termism thrives as long-term investing is replaced by investment forms that are perceived to be more liquid. Third, these strategies put the management and regulation of real estate investments increasingly into the realm of financial technocrats as others are considered unable to understand the financial numbers. The remainder of this paper will present an analysis of the transformation of real estate investment strategies of Dutch institutional investors and report to what extent these financialization strategies have materialized.

The decision-making process regarding the real estate investment strategies of Dutch institutional investors is located within a select group of powerful actors, which can be seen as members of an 'elite'. Elite interviewing enables the researcher to derive "richness of detail and historical complexity [which] allows one to reconstruct a coherent representation of how and why particular phenomena came to be" (Schoenberger, 1991, p. 188). In total 30 interviews were conducted with a wide variety of actors, all working in Dutch real estate or finance, 18 of which have been used for this paper. The firms/organizations these respondents owned or were working for included real estate investment funds, asset managers (who invest on behalf of pension funds), lobby organizations, real estate developers, banks, private real estate investors, trust firms, real estate financiers, real estate consultancies, the Ministry of Internal Affairs, the real estate department of the central state and the Dutch National Bank. Almost every interviewee had at least ten years of experience and had been working for different firms/organizations, including institutional investors. Furthermore, most interviewees were working in senior positions such as director, managing director, CEO, senior analyst and so on.

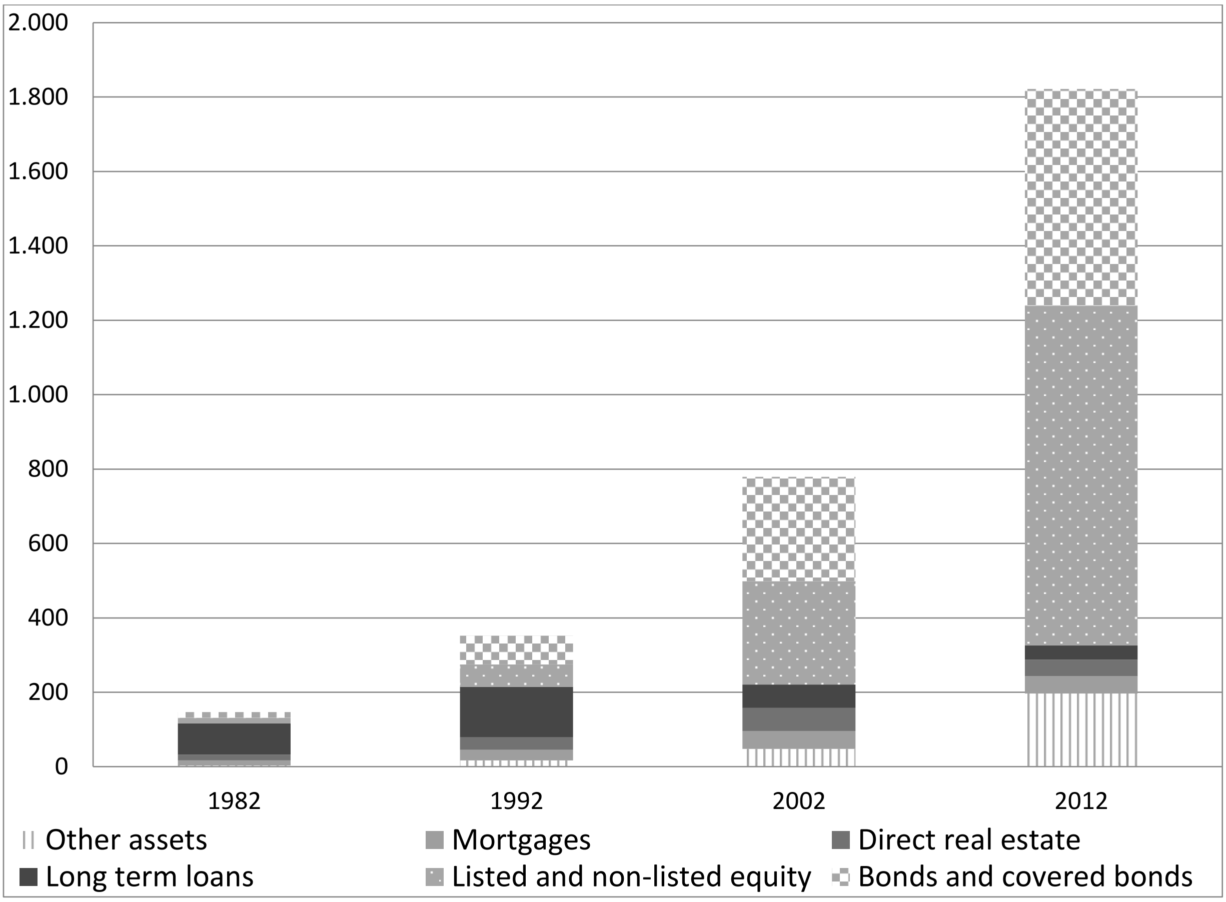
All interviewees had the possibility not only to deliver feedback that, for instance, led to the rewriting of certain quotes in less colloquial terms (that we subsequently translated into English), but also to new conversations that further deepened our understanding of the process, with some interviewees a “close dialogue” was established (Clark, 2000). In this text, we only refer to an interviewee when using direct quotes; an extensive list of interviewees can be sent on request. The interview data are complemented by the professional experience of one of the authors who has been employed as junior analyst in the Dutch real estate investment market. In addition, many public information sources such as books and journals for real estate professionals (from which we in particular adopt some ideas around organization structure, i.e. Figures 3.2 and 3.4), statistical data, annual reports and newspaper articles are used.

3.3 The financialization of real estate investment strategies

The Dutch political economy has changed tremendously since the 1980s and it now combines high degrees of financialization with elements of strong market coordination, in particular relating to the power of labour (Engelen et al., 2010). As Figure 3.1 illustrates, rising incomes and rising employment rates in the 1990s embedded in a mandatory pension fund system led to a large influx of pension and insurance money that further accelerated as a result of profitable investments. Figure 3.1 also shows a shift from investments into long term, mostly Dutch, state debt to equities and bonds. Until the late 1980s, most Dutch pension funds stuck to a straightforward strategy by buying (Dutch) assets for the cash flow they generated, mainly via dividend and interest payments. Restricted by stringent rules regarding acceptable investments and a lack of expertise within institutional investors themselves, the dominant strategy was to allocate a pre-established amount to mostly fixed income (mostly long-term debt), and to a lesser extent real estate, and equities. In line with other reforms–such as (semi-)privatization and liberalization of banking–during the 1990s also the investment requirements for institutional investors were relaxed, for example allowing institutional investors to invest more abroad (Fernandez, 2011; McCarthy et al., 2016).

With continuously increasing streams of investment capital, institutional investors felt the urge to professionalize and adopted more sophisticated portfolio strategies that relied on ‘Modern Portfolio Theory’ (Markowitz, 1952). In their investment strategies, it became key to think thoroughly about how the risks of assets in a portfolio relate to each other in order to find an optimal mix of assets from a risk/reward perspective. Translating this ‘theory’ into practice required adopting asset liability management (ALM) or similar models that can be used to select those assets which generate enough value to meet liabilities in the future within a certain risk appetite. Diversification of investment portfolios, in both asset types and location, became central. In the 2000s, ALM models became institutionalized and are now mandatory for pension funds. The subsequent sections will demonstrate how the adoption of this more quantitative assessment framework motivated Dutch institutional investors to reconceptualize real estate as “just another asset class” (Interview, 26 August 2014). Figure 3.3 gives crucial information on the scale of this transformation that made it possible to place real estate investments into ALM: even though the share of real estate investments of the total investment portfolio remained rather stable with a low of 8.5% in 2009 and a high of 12.2% in 2001, since the 1990s many institutional investors switched to listed and unlisted shares in real estate funds. Their investments also internationalized, from an estimated €4.3 billion in foreign real estate assets in the late 1980s to an estimated €72 billion in 2012 (Wit, 2014), a 17-fold increase in roughly 25 years.

Figure 3.1 Assets under management by Dutch institutional investors since the mid 1970s (in billion Euro)



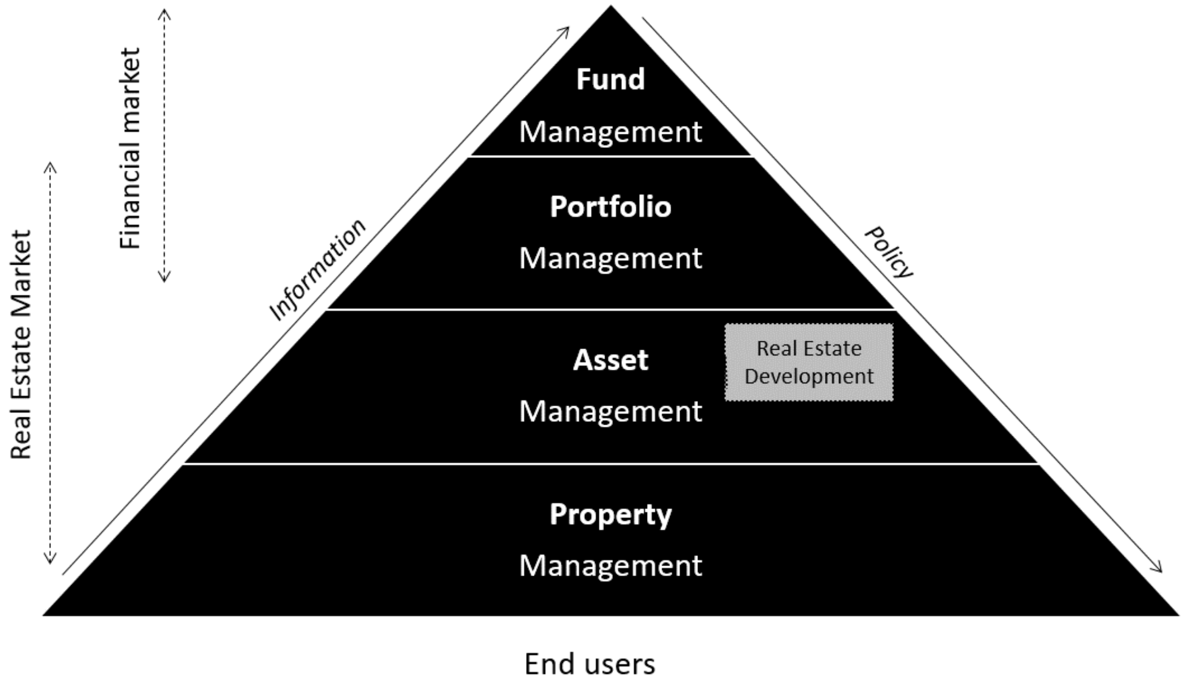
Source: CBS (2014a)

3.3.1 Real estate investment strategies in the 1980s

In the 1980s, institutional investors had on average 10% of their entire investment portfolios invested into direct, mostly Dutch, real estate holdings. The dominant portfolio strategy in the 1980s was to invest a fixed percentage into real estate. However, due to a lack of available properties, the larger institutional investors could rarely realize their targets. Nonetheless, aggregated direct real estate holdings grew in line with the total assets under management (see Figures 3.1 and 3.3). Directly investing in real estate means that investors own and manage their properties, implying that investors are active throughout the entire real estate pyramid displayed in Figure

3.2. To develop a better understanding about the way institutional investors invested into real estate in the 1980s, each level of it is briefly discussed below.

Figure 3.2 The real estate pyramid, a stylized version of the general real estate investment strategies of institutional investors in the 1980s



Fund management The top of the real estate pyramid is best characterized as located within financial markets rather than within real estate markets. Here, the overall portfolio strategy of an institutional investor is created. In the 1980s, this meant deciding which parts of the portfolio to allocate to long-term loans, real estate and equity. Decisions are made based on quantitative data, usually involving important strategic decisions, which are communicated downwards through concrete policies and targets.

Portfolio management On the portfolio level, it is decided to which real estate segments–commonly residential, offices and retail–and countries the investments should be allocated. In the 1980s, for most funds, portfolio management basically meant dividing the investment mandate between Dutch residential, office and retail real estate, and for selected funds also foreign, mostly American, offices. Many institutional investors invested in residential real estate because they felt an urge to help solve the housing shortage; while subsidies and state guarantees took away investment risks and guaranteed a minimum rate of return.

Asset management At the real estate asset management level, the investor actively participates in the property markets by buying and selling properties in line with its real estate portfolio strategy. As portfolio strategies were rather undeveloped and fund-level strategies prescribed to invest a growing influx of institutional money into real estate, funds tried to buy all properties that were available on the (Dutch) market. Algemeen Burgerlijk Pensioenfonds (ABP), the largest Dutch pension fund, acted as “a vacuum cleaner, swallowed up all the available real estate on the Dutch investment market” (Interview, 22 July 2014). In order to acquire properties, investors had to operate in an opaque yet seemingly simple investment market: “it was common practice to calculate the value of a property on the back of a box of cigars to see if a deal could go through” (Interview, 11 June 2014). It was well accepted that brokers played double roles, and, market data, if available at all, were very unreliable. Some actors even liked the opaqueness, and many agents “did not consider the financier; the money would come through anyway” (Interview, 27 August 2014), giving birth to incidents related to fraud (Wit, 2014).

Property management Because institutional investors owned and maintained the buildings themselves, that is, they were also property managers, they obtained a wealth of qualitative and quantitative information about their properties, containing information about local rent levels, maintenance, rental contracts, their tenants and so on. However, due to poor information and computing technology (ICT) systems and the non-existence of R&D departments, this wealth of information was not translated into quantitative information that could be applied at the fund management level.

‘Real estate development’, finally, is conceptualized as something ‘outside’ the pyramid, considered to be much riskier than investing in existing properties. Nevertheless, using different rationales, many institutional investors were also active as real estate developers. The construction-sector pension fund, for instance, used real estate development to create work for their members. Another reason to develop real estate was that the quality of properties developed by other real estate developers did not meet investment criteria. Moreover, building new properties had a symbolic importance. It was, for example, a matter of prestige to develop the first American-style shopping mall in the Netherlands.

As the next section will illustrate, the adoption of more quantitative investment strategies on the fund level created pressure on the property level to adopt a less real estate focused and more financial perspective on real estate investing. Consequently, the different layers of the pyramid were outsourced.

3.3.2 The financialization of real estate investment

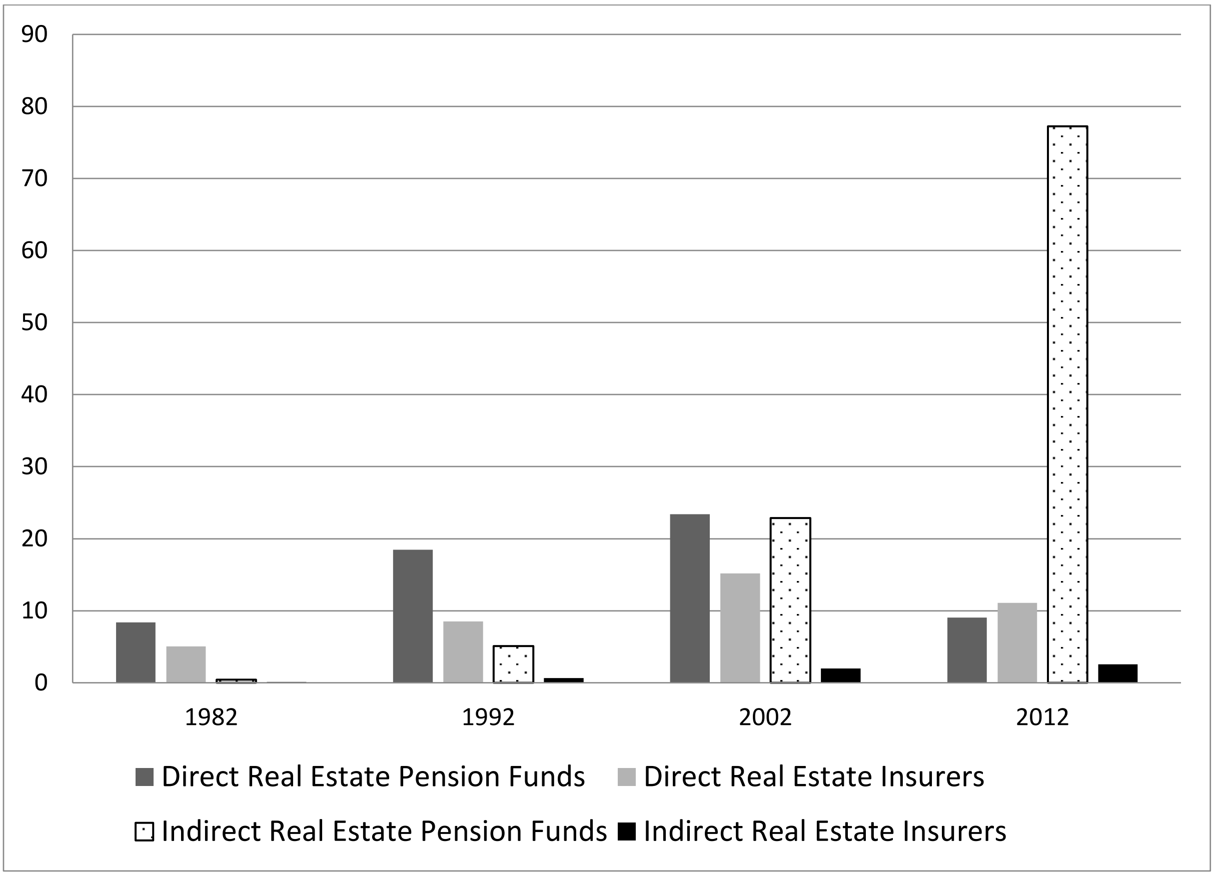
To illustrate the developments in the 1990s, we describe the changing strategies and practices of ABP, the pension fund for civil servants and also the industry leader. ABP is atypical as it is by far the largest pension fund and more strongly embedded in state institutions. However, as this section will illustrate, other Dutch institutional investors adopted ABP's new investment strategy, thereby pointing to the centrality of ABP to understand this transformation. During the 1980s, ABP was the largest real estate investor in the Netherlands, and–inspired by other Dutch institutional investors such as the pension funds of Koninklijke Luchtvaart Maatschappij and Shell who were active in the US–started to get familiar with investing in foreign real estate. On a portfolio level, ABP increasingly implemented more sophisticated investment strategies, creating an urgency to think about real estate as an asset class. What kinds of risks were related to it and, more importantly, how did its value correlate with other asset classes in ABP's portfolio? To answer these questions, ABP started developing 'objective criteria' combined with more sophisticated market analyses inspired by practices in the US.

The professionalization of ABP's real estate investment strategy also included the decision to start investing indirectly into real estate. That decision was partly the outcome of enduring conflicts between 'financial' and 'real estate' people within institutional investors, whereby "many property guys (sic) thought they did great and the non-property folks thought they had no control over real estate" (Interview, 27 August 2014). Interviewees talking about this period often point to a difference in language, culture and focus between the real estate department acting at the property level and the fund management of institutional investors. During the 1990s, the more quantitative minded agents became dominant, and "they preferred listed [real estate] with long historical data, transparency, real time prices, high liquidity because you can enter and exit" (Interview, 22 July 2014).

A technique developed by Geltner (1993), which estimated real estate's volatility in a mathematical way, also enabled the analysis of real estate in the same financial language as shares. Furthermore, direct property holdings were increasingly seen as something negative needing much staff and attracting negative attention in the media. In 1994, the director of ABP, Mr Frijns, announced ABP's new strategy: to switch to indirect real estate investments and develop a global real estate portfolio. Frijns strongly believed that real estate funds would make it possible to place real estate investments into portfolio management and, by doing so, obtain a higher rate of return. Furthermore, indirect real estate was seen as a necessity to expand abroad as buying direct real estate demanded much local expertise and also created many legal challenges. Many considered Frijns's speech as a turning point in the thinking of Dutch institutional investors about real estate investments (FD, 1995). However, as ABP was still state-owned, the plan for 'going indirect' needed to be supported by an independent study, which was delivered by the Boston Consultancy Group (1992). This report, merely consisting of 26 PowerPoint slides, was a necessary instrument to convince the board of directors that indirect real estate investment was preferable.

After ABP's privatization in the mid-1990s, it was able to transform its real estate organization into three separate real estate funds in new legal entities: retail (Winkel Beleggingen Nederland), offices (Kantorenfonds NL) and residential (Vesteda). As

Figure 3.3 Real estate investments of Dutch institutional investors (in billion Euro)



Source: CBS (2014b)

Figure 3.3 illustrates, many other institutional investors followed. This development was further institutionalized by the adoption of Anglo-American practices, in particular benchmarking of the performances of real estate funds (starting in 1995 with IPD) and the adoption of fair value principles through the implementation of International Financial Reporting Standards (IFRS) standards during the 2000s.

In sum, the influx of investment capital pushed Dutch institutional investors on a pathway of professionalization. Herein, ALM strategies based on diversification—through the internationalization of asset portfolios—and operating within markets perceived as liquid became key. Real estate continued to play a role, but when investing abroad, investing indirectly was seen as the preferred alternative. Yet, indirect real estate investments were also increasingly preferred for Dutch assets, as it was perceived that shares in real estate funds were easier to sell.

3.3.3 Real estate investment practices in the 2010s

The shift from direct holdings to shares is paralleled by an increased focus on quantitative, financial assessment. As the shift is an ongoing process, there is still a wide variety of investment practices including funds that only invest into (Dutch) direct properties (cf. Mosselman, 2013). Figure 3.4 illustrates how these financialized real estate investment strategies function.

On the ‘*Fund Management’ level*, “a pure financial perspective, without in-depth knowledge of the bricks and mortar” (Interview, 22 July 2014) has become dominant. In 2007 the implementation by parliament of the ‘Financieel Toetsingskader’ (Financial Assessment Framework) has made ALM models compulsory for pension funds and forced the adoption of international accountancy standards based on fair value calculations (IFRS) (Dixon and Monk, 2009). Moreover, the committees that define the risk parameters related to the investments of pension funds now favour indirect real estate investments over direct (Dutch) real estate (Langejan et al., 2014). However, in their calculations basic elements of investing into real estate such as leverage are ignored, thereby overestimating the risks related to Dutch real estate and underestimating its rate of return (cf. Mosselman, 2013). In addition, the Dutch National Bank (DNB), which follows a financial logic in assessing the activities of institutional investors, has become a very powerful regulator since the crisis.

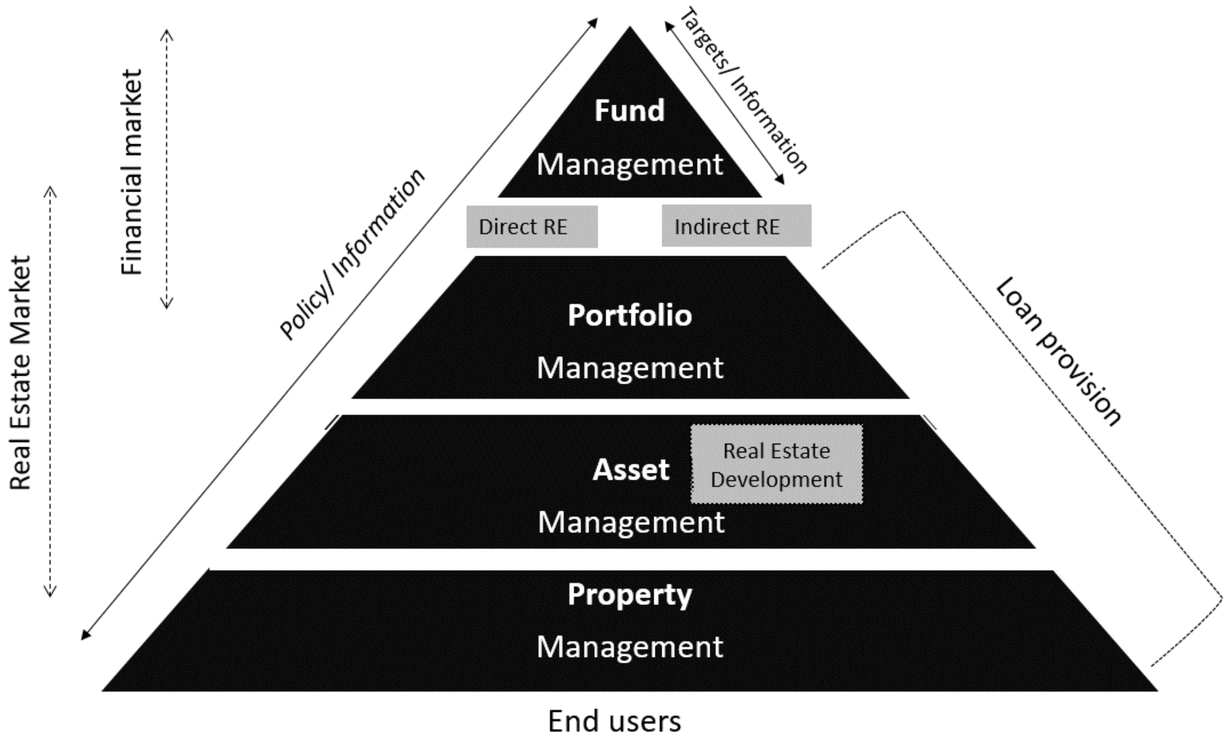
Portfolio management Nowadays, on a portfolio level, strategies are developed to create the perfect mix of participations in listed and unlisted funds, often complemented by direct real estate holdings obtained in the past. One of the possibilities is a ‘fund of fund’ structure in which the participating institutional investors have no voting rights. Their only decision is to invest in the fund or not. Moreover, institutional investors who still create their own portfolio strategies, that is, those who buy shares of different real estate funds, often rely on external advisors. Some have even outsourced the assessment of investments, or, as an advisor for many major pension funds formulates it:

> We dig very deep [to] understand the numbers, but you have to translate it in a way that a pension fund can use the information. When you provide many details of the real estate itself, then you know they will only read the abstract which they will not understand. Therefore, you really have to translate the information to the level of thinking of your client. (Interview 26 May 2014)

This level of thinking prioritizes (expected) total rates of return. And benchmarking introduced in 1995 by British firm IPD, enables to compare the performance of the different funds via one comprehensive number: the total rate of return. When it comes to portfolio management, contemporary real estate classes also include debt products such as residential mortgage-backed securities, commercial mortgage-backed securities and, as a result of the global rise of listed and unlisted real estate funds, a wide range of foreign listed and unlisted real estate funds to choose from.

Asset and property management When investing indirectly in real estate, asset and property management has become the responsibility of the real estate funds. Depending on the legal status, and in particular with listed real estate, important

Figure 3.4 The financialization of Dutch institutional investor real estate strategies; the Real Estate Pyramid anno 2014



information about the quality of the investments, such as rental contracts, maintenance costs and budgets of redevelopment projects, is not disclosed. It has become extremely difficult for investors in indirect real estate to obtain meaningful data about their investment objects:

> Very basic, visiting shopping malls. We [real estate fund] just opened a mall in [foreign city] and I received many text messages. They [financial analysts] were on holiday in that city and visited the mall…they had comments like …'not so many people with a bag'! (Interview, 26 September 2014)

Real estate development Nowadays, real estate development is primarily used if it increases the expected rate of return and not so much to satisfy wider goals such as increasing employment for fund members. In global portfolios, some funds may develop real estate in emerging markets that lack high-quality properties, while the funds expect demand from end users. Furthermore, in European retail real estate, a couple of funds compete for those places seen as most lucrative for shopping malls. Once such a position is obtained, it becomes necessary after a certain period of time to redevelop the retail properties in order to maintain its market position. Again, re/developing is used to increase the expected rate of return by securing a strategic geographical location.

3.4 Discussion and conclusion

In this paper, we have demonstrated how the adoption of Modern Portfolio Theory by Dutch pension funds has resulted in the dominance of a quantitative investment assessment (indicator 1). Put differently, object-oriented investing 'that focus[es] on what it is that is invested in' has been replaced by a central 'focus on the financial gains'(Sayer in Clark, 2014, p. 393). By adopting this more narrow, financial perspective, Dutch institutional investors have transformed the 'opaque' real estate market of the 1980s into a 'seemingly transparent' market that is described and performed in a couple of 'key Figures' (see Table 3.1).

At the same time, investments into real estate remain spatially fixed in two distinct ways. First, real estate will never fully behave as 'just another asset' and most investments in real estate are still fixed in time and place. Investments might be based on the assumption that they can be disinvested upon immediately, and although this may be the case for some real estate derivatives, actual real estate transactions remain sticky and slow (Weber, 2015). Second, real estate increasingly becomes the spatial fix for the over-accumulation of capital (Fernandez et al., 2016; Harvey, 2006). It is one of the contradictions of capital that in order to find a fix, in the sense of a 'solution' to over-accumulation, real estate, the 'spatial' fix, needs to be treated as if it is not spatially fixed but liquid (cf. Gotham, 2006). Problems arise from this inherent contradiction between the metaphorical and the material elements of the spatial fix.

Consequently, the geography of pension funds' investments has become more selective. Although these funds receive pension contributions from across the Netherlands, entire provinces have become blank space in their investment portfolios:

> Who still invests in [the province of] Zeeland? Of course, people need to live there, but, why should I, as provider of residential real estate who can freely choose were to earn most money, invest over there? It is very unpleasant to say, but then I choose Amsterdam and similar regions where people want to live—now and in the future. (Interview, 27 August 2014)

In this regard, not the intrinsic value of properties and their location but a perception of their fictitious value, reflected in stock prices and capital values calculated through IFRS standards, has become key. These values are more determined by perception and the availability of capital than by the unique characteristics of properties including rental income (Buitelaar and Dongen, 2016). Put differently, the actual use of buildings has become secondary, resulting in real estate developments that lack a sophisticated perspective on how to contribute to better functioning cities where the final owners of the investment capital, in this case the pension fund members, have to work and live (cf. Guironnet et al., 2016; Halbert and Attuyer, 2016; Savini and Aalbers, 2016). State agencies, crucial within Dutch urban planning, also have shifted from a perspective in which the provision of public goods was central towards a new focus in which 'the entrepreneurial state' is essential (Buitelaar and Bregman, 2016; Hajer and Zonneveld, 2000; Taşan-Kok, 2010). Central to this shift is that the creation of high real estate prices is essential; hence, the national state supports:

Table 3.1 The financialization of real estate investment strategies, summary

			1980s/pre-financialization	2010s/post financialization
	Financial markets	**Fund management**	straightforward strategies, including wider societal/political goals, low expectations for rates of return, low-risk investments	strong focus on 'risk adjusted rate of return', outsourcing investment strategies, important role for calculative practices (e.g. ALM/FTK/IFRS) and financial supervisors (DNB/AFM)
Real Estate markets	*Financial markets*	**Portfolio management**	restricted set of asset classes, mostly Dutch direct real estate	wide variety of asset classes, international portfolios, mostly shares in listed and unlisted real estate funds displayed as 'financial assets', compared through benchmarking
Real Estate markets		**Asset management**	opaque real estate market, property prices based on 'gut feeling' and subsidies, properties bought based on available capital	seemingly transparant real estate market, property value calculated via fair value
Real Estate markets		**Property management**	emotional relationship to investment properties, great deal of knowledge on property level but not translated into investment strategies	distance to investment properties, assessed through aggregated (financial) numbers

> other state agencies with knowledge and experimentation and the development of alternative forms of financing and new revenue models that can promote the achievement of national goals and make urban planning developments fundable. (National Department of Infrastructure and Environment, 2012, p. 3)

On the urban level, we already see many cities that increasingly implement policies to attract those people and activities which they think will increase real estate prices further, thereby spurring uneven regional development (Hochstenbach, 2016; Janssen-Jansen et al., 2012). Therefore, it is essential for future research to analyse how this increased market-orientated behaviour of various state agencies combined with the financialized behaviour of institutional investors finds its nexus in 'real' urban geographies and planning practices. Moreover, further conceptualization is needed on how financialization processes related to the built environment underpin the current phase of financialized or neoliberal capitalism(Aalbers, 2017a; Engelen et al., 2014; Fine, 2013; Duménil and Lévy, 2004).

Regarding our second indicator, we did not find evidence for increased short-termism in investment strategies. In-depth interviews with key actors reveal that the transformation was messy and included many (political) struggles. Short-termism has become technically enabled as shares in listed and unlisted real estate funds can be sold more easily than whole properties. However, to demonstrate that this leads to higher turnover ratios, more research is needed.

The third indicator–investment decisions are increasingly controlled by financial actors and their logics–is clearly observable in the Dutch case. Quantitative-oriented people are now clearly in the lead, not only at institutional investors but also at their regulators. The ascribed superiority of their knowledge is barely contested, neither by members of parliament nor by the ultimate owners of their investment money, employees, as it is considered too complex and too technical.

Crucial to the financialization of Dutch institutional investors' real estate investments was that direct ownership of properties had to give way to indirect ownership; the real estate holdings of Dutch institutional investors have become a form of fictitious capital distancing investors from the built environment (Pani and Holman, 2014; Teresa, 2015). They have transformed 'unique, idiosyncratic spaces and projects into a fungible financial product' (Kirkpatrick, 2016, p. 66). As real estate assets have been transformed into fictitious capital, their value becomes less dependent on the underlying properties and their direct surroundings–that is, the built environment–and more dependent on the volatility of financial markets. Channelling real estate investments through indirect holdings, therefore, increases the stock of fictitious capital, contributing to more volatile accumulation cycles and more insecurity for households (Harvey, 2006). But, also, by analysing real estate in the same way as other forms of fictitious capital such as shares and bonds, institutional investors have become less aware of important characteristics of their real estate portfolios such as high levels of leverage and the devaluation potential of real estate shares.

Fictitious capital is considered a crucial condition for property investment as it is a capital-intensive industry. As a result of the financialization of real estate, property investment has become closely interwoven with the impatience of global financial markets, while historically it was used for more patient, long-term investments (van Loon, 2016). Real estate in the form of fictitious capital is now an essential element, or collateral, used for the enlargement of the pyramid of complex international debt claims which is backed up with an increasingly scarce amount of deposits (Haiven, 2011; Hudson, 2010; Nesvetailova, 2006; Savini and Aalbers, 2016). In this regard, the financialization of real estate investments seems to be an important contributor to international financial instability–finding its temporary nexus in the 2007 financial crisis–while the original investment focus was to use investment in property as countercyclical asset, especially under "spatial Keynesianism" (Brenner, 2004). Consequently, uncertainty increases for the final holders of this investment capital, for example, pension fund members, as unpredictable 'Minsky moments' will set in motion more pronounced periods of devaluation, creating more severe consequences in the form of lower benefits and/or higher premiums.

Chapter 4 Patient versus impatient capital: the (non)financialization of real estate development in the Low Countries

This chapter is a paper that has been published:

Loon, J. van (2016) Patient versus impatient capital: the (non)financialization of real estate development in the Low Countries. In: *Socio Economic Review* 14, 4: pp. 709—728.

The adjustments made in the published text are primarily 'technical'; adding section-numbers, updating references, changing the Figure numbers, and changing " '…' " into " "…" "when using quotes. Also, based on delayed feedback by an interviewee, the word "almost" has been added to the sentence "faced bankruptcy in the early 1990s".

Abstract

The recent history of real estate developers in the Netherlands and Belgium shows that financialization processes are geographically variegated. Although real estate developers, the intermediary between capital and the local built environment, faced a similar rise of more market-oriented banking, Dutch developers financialized their activities while their Belgian counterparts did not. The Dutch case demonstrates how financialized corporations can make accumulation cycles more extreme, particularly by placing the creation of fictitious capital at the centre of their business strategies. The Belgian case illustrates how patient capital, i.e. multi-generational wealth looking for sustainable growth, can function as a strong barrier to financialization processes, thus moderating the influence of financialized capitalism on the economy.

Key words: financialization, patient capital, political economy, firm strategy, wealth
JEL classification: G32 capital and ownership structure, value of firms, R30 general real estate markets, F43 economic growth of open economies

4.1 Introduction

Today's finance is much more footloose, a process initiated by the breakdown of Bretton Woods in the 1970s, spurred on by waves of financial liberalization and reregulation, and further accelerated by digitalization (Aglietta, 2000; Wojcik, 2012). Also, financial markets and the power of financial actors increased rapidly, reaching historically unprecedented dimensions (Hudson, 2010; Hardie and Howarth, 2013). The theoretical concept of financialization is used to analyse this "increasing dominance of financial actors, markets, practices, measurements and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states and households" (Aalbers, 2017a, p. 3). A rich body of work has demonstrated empirically how financial actors and financial logics increasingly shape practices in multiple domains: housing (Hudson, 2010), corporations (Orhangazi, 2008), the national political economy (Engelen et al., 2010) and the public sector (Hendrikse, 2015). Financialization is labelled as a new era of capitalism: financialized capitalism (Lapavitsas, 2009).

However, this literature primarily looks at cases were financialization did occur. This selective focus can make it seem like processes of financialization are universal and ubiquitous across the West. Consequently, important barriers to the process of financialization are under-researched and still poorly understood (Christophers, 2015). In other words, more attention should be paid to “the complex processes of transformation, which sometimes advance and at other times *hamper* the advent of finance capitalism in the advanced political economies” (van der Zwan, 2014, p. 120 emphasis by author). Patient capital, both equity and debt providers with a long-term perspective, is one noted barrier that impedes financialization processes (Lehrer and Schmid, 2015; Deeg et al., 2016; Thatcher and Vlandas, 2016) freeing firms “from obsessive concern with short-term market indicators” (Culpepper, 2005, p. 175). Accordingly, patient capital in the form of multi-generational wealth of families puts non-financial considerations—such as social capital and reputation—central within business models (Arregle et al., 2007; Salvato and Melin, 2008; Chrisman et al., 2011; Colli, 2013).

To reveal if the multilayered and multiscaled processes of financialization decreases possibilities for patient capital, this article examines the behaviour of a specific set of economic agents: developers of residential and commercial (office and retail) real estate. The core business of these non-financial corporations is attracting capital to produce the built environment; highly dependent on external capital they are excellent observers of changes within capital provision. But, their actions are also inevitably locally embedded as they produce a spatially fixed commodity. Developers mediate between the financial sphere, for the provision of capital, and the real economy for the construction of physical buildings (Halbert et al., 2014). Changes within their business strategies could reflect wider changes in political economies (Deeg and Jackson, 2006; Dixon, 2011). The rise of financialized capitalism could therefore be reflected through the financialization of corporations, a qualitative shift whereby the adoption of financial logics prioritizes a focus on short-term (financial) profit maximization over productive investments and long-term growth (Orhangazi, 2008; Tomaskovic-Devey et al., 2015).

To investigate the resilience of patient capital towards financialization processes, the article adopts a comparative perspective concentrating on Belgium and the Netherlands, both characterized as small open economies with a highly educated work force, relatively strong economic performance, large banking sectors and the highest net household wealth in the Euro zone (Chang and Jones, 2013). However, whereas in the Netherlands processes of financialization are clearly observable (Engelen, 2015), the Belgian political economy has important barriers to financialization. An explanation of this difference relates to wealth accumulation. While the wealth of Dutch households is managed collectively through a mandatory pension fund system controlled by institutional investors, wealth management in Belgium is an individual project. This has a profound influence on the political economy because individual wealth in the form of family capital, a type of patient capital, is an important barrier to financialization (Bebchuck and Roe, 1999; Arregle et al., 2007; Lehrer and Celo, 2016). On the other hand, institutional investors are an important force for financialization processes and impatience (McCarthy et al., 2016; van Loon and Aalbers, 2017).

While the Low Countries experienced a similar rise of market-oriented banking (Chang and Jones, 2013), endemic to the rise of financialized capitalism (Lapavitsas, 2009; Engelen, 2015), the recent history of Belgian developers shows the resilience of patient capital towards financialization processes. There, multigenerational wealth looking for sustainable growth stimulated firms to adopt a longer-term focus on profitability including nonfinancial considerations. In contrast, the case of the Netherlands offers an extreme case of financialization: debt-driven growth and complex financial instruments became crucial for developers aiming at short-term (financial) profit maximization. Put differently, while the strong presence of patient capital within Belgian developers hampered processes of financialization, Dutch developers opened up to a great extent to impatient capital further accelerating processes of financialization within the wider Dutch political economy.

The article first discusses how patient capital can function as a barrier to the financialization of corporations. Then, it introduces the Netherlands and Belgium as countries that both experienced the rise of market-oriented banking but differ fundamentally on another important element of the rise of financialized capitalism, the prominence of institutional investors. Section 4.5 then shows, mostly based on 40 open interviews with actors in real estate, finance, and related state agencies, how Belgian and Dutch developers interacted rather differently with the rise of financialized capitalism since the 1990s.

4.2. Financialization of corporations: patient capital as barrier

A crucial aspect of the rise of financialized capitalism is that the main providers of capital for corporations, banks for loans (external capital) and shareholders for equity (internal capital), became more powerful and increasingly impatient (Fichtner, 2015; Deeg and Hardie, 2016). Since the 1990s, institutional investors rose as major shareholders transforming corporate decision-making processes around the principle of financial profitability (van Loon and Aalbers, 2017; van der Zwan, 2014). During the same period, banks in many countries started to loosen their long-term relations with corporations in which patient capital provided the glue for long-term interactions between banks and corporations: a bank “accompanied an industrial enterprise from the cradle to the grave, from establishment to liquidation throughout all the vicissitudes of existence” (Gerschenkron, 1962, p. 14). As banks adopted market-oriented business models attention shifted towards interacting with financial markets, finance itself was turned into an important source of profit (Hardie and Howarth, 2013). Moreover, banks started to develop or increase investment banking activities, making trading in listed and not-listed firms an important part of their business strategies (Wojcik, 2012).

The rise of financialized capitalism thus puts pressure on the provision of patient capital that consistently prefers long over short-term corporate objectives (Deeg and Hardie, 2016). Nevertheless, in particular, shareholders with a long-term investment horizon such as sovereign wealth funds (Deeg and Hardie, 2016; Thatcher and Vlandas, 2016) or multigenerational family wealth can still form a highly resilient form of patient capital (Lehrer and Celo, 2016) shielding firms from financialization processes (Culpepper, 2005; Fichtner, 2015; Lehrer and Schmid, 2015). In this respect, the multigenerational perspective of family owners makes immaterial components such as reputation, embeddedness in local communities, paternalism towards employers and endurance (almost) as important as financial considerations (Chrisman et al., 2011; Colli, 2013; Lehrer and Celo, 2016). Accordingly, risk averse, long-term planning horizons and social capital creation are central to familial firms (Arregle et al., 2007; Salvato and Melin, 2008; Fichtner, 2015), embedding them in "Durkheimian" institutions "are rooted in norms of community, solidarity and mutual obligations" (Lehrer and Celo, 2016, p. 738). But, family firms are also characterized by opaqueness, hostility to external advice, slow growth and internationalization based on retained earnings as family firms are resistance towards high levels of debt (Chrisman et al., 2011; Colli, 2013).

However, the increased power of financial actors—this article focuses on impatient institutional investors (McCarthy et al., 2016) and especially market oriented banks (Hardie and Howarth, 2013)—puts pressure on non-financial corporations (including family firms) to change their long-term perspectives into a short-term focus on profitability (Aglietta, 2000; Orhangazi, 2008). This financialization—or becoming impatient (Deeg and Hardie, 2016)—of business models can take place by using stable cash flows or real estate to generate debt, which is in turn used to gear small profits into large (financial) profits (Froud et al., 2006; Kaika and Ruggiero, 2016). Institutional investors, for instance, used Thames Water's monopoly over water provision and its predictable cash flows to create sophisticated financial instruments for debt refinancing, hence increasing dividend payouts (Allen and Pryke, 2013). Leverage is also often used for opportunistic growth via mergers, acquisitions and management buyouts, or for increasing the value of a corporation via share buyback programmes (Aglietta, 2000; Kaika and Ruggiero, 2016). These thick layers of debt heavily influence profitability and make business models more risky. This article focuses on debt fuelled growth, but it is important to acknowledge that corporations can also financialize through the adoption of financial instruments (e.g. derivatives) or financial assets (e.g. securitized car loans) (Pryke and Allen, 2000; Krippner, 2005).

In both cases, the short-term focus on (financial) profit maximization is usually at the expense of productive investments (Orhangazi, 2008). Put differently, boosting a corporation's "fictitious capital", i.e., marketable claims "on the production of surplus value and on the perceived value of the underlying asset" (Pani and Holman, 2014, p. 218), starts to prevail over strategies supporting long-term economic performance (Harvey, 2006). In this model, creating a positive image for investors and customers is paramount (Pike and Pollard, 2009). Marketing and apparently good financial results are crucial as Apple's financialized business model illustrates the "paradox of assembler misery and brand wealth" (Froud et al., 2014, p. 54).

The financialization of firms in this article is thus conceptualized as a shift towards shortterm (financial) profit maximization usually through increased debt generation, i.e., the impatient side of Deeg and Hardie's (2016) continuum. Whereas impatient capital stimulates corporations through at arms-length relations to achieve short-term financial goals patient capital stimulates corporations through enduring, close relations to achieve long-term goals that include many non-financial objectives such as socio-emotional wealth improvement (Stockmans et al., 2010; Chrisman et al., 2011; Lehrer and Celo, 2016). This conceptualization enables to analyse the extent to which the business strategies of Dutch and Belgian real estate developers have become impatient (i.e. financialized) through three indicators. First, the extent to which debt generation and leveraged growth have become central within the business models of developers. A second indicator is, just like in financialized real estate development, the marketing of projects and calculative practices to improve their fictitious value (Guironnet et al., 2016), the extent to which business strategies start to prioritize the creation of fictitious value over the production of the built environment. Third, as the result of the expanding investment portfolios of institutional investors and increased investment bank activities (Aglietta, 2000; van der Zwan, 2014), the increased shareholder ship of impatient, financial actors in real estate developers is a final indicator.

Section 4.2 outlined the strong pressure on real estate developers to financialize; however, as the next section illustrates, the political economies of both countries seem to filter this pressure differently. Accordingly, they seem to offer differ possibilities for patient capital to be resilient for the dynamics of financialization processes.

4.3 Financialization and the Low Countries

This section demonstrates how Dutch corporations are more open towards financialization than Belgian firms, by first describing key elements of both political economies that filter processes of financialization, and subsequently briefly describing the rise of market oriented banking and financialization of non-financial corporations.

4.3.1 Political economies 'filtering' financialization

As Table 4.1 illustrates the Belgian and Dutch political economies have many elements in common. Both have small economies in terms of foreign investments

Table 4.1 Some characteristics of the Belgian and Dutch political economy

	Year	*Belgium*	*Netherlands*	*Source*
A *Macro economic indicators*				
Gross domestic product (GDP)/capita	1995	$ 22.862	$ 22.899	OECD
Gross domestic product (GDP)/capita	2013	$ 41.866	$ 46.174	OECD
Population	2012	11.128.200	16.755.000	Eurostat
percentage urban regions	2012	83%	84%	OECD
population growth	55-'12	25%	56%	Eurostat
B *Household's Main Assets*				
Homeownership (%)	1995	76%	59%	Eurostat
Homeownership (%)	2011	72%	67%	Eurostat
largest financial asset (in billion)*	2013	€ 434	€ 1.161	DNB, NBB
Net household wealth/capita	2014	€ 84.771	€ 78.063	Allianz (2015, p. 82)
C *Debt*				
Debt-to GDP ratio: household's mortgage	1998	27%	55%	EMF
	2014	47%	95%	DNB, CBS, NNB
Debt-to GDP ratio: non-financial corporate	2014	136%	127%	McKinsey
Debt-to GDP ratio: government	2014	135%	83%	McKinsey
D *Financial sector*				
bank concentration (% 3 largest banks of total assets)	2011	86%	81%	Worldbank
bank assets increase	2000-7	39%	48%	Hardie and Howarth (2013)
bank assets to GDP	2014	296%	382%	NNB, DNB
Non-interest income as percentage of gross income	1990	18%	24%	OECD
	2007	53%	54%	OECD

*(BE: shares, NL: pension fund savings)

and international trade: Dutch corporations focus more on trade, export and international expansion while Belgian ones more on investments by foreign corporations. The net wealth of households is one of the highest in Europe, but, households, state agencies and non-financial firms have also one of the highest debt-to-GDP ratios in Europe.

Until the 1980s both countries had comparable models of Fordist economic development, with powerful labour unions and a strong state aiming to distribute wealth equally. The political system was based on pillars—religious or ideological organizations that influenced all spheres of life. Severe economic downturns led to cutbacks in welfare provision and waves of privatization. However, whereas the Netherlands seems to obey the European regulation rather willingly, Belgian state agencies only take action when the urge, e.g., state debt is very high. Consequently, in many domains restructuring in Belgium, including austerity-policies, is rather mild. Also, Belgium devolved much more political authority to the regional level. While Wallonia continued to support its decaying traditional industries, Flanders was rather successful in boosting new economies—by reducing labour costs, attracting foreign investments, and investing in high-tech clusters and modern industries. Brussels became a major provider of jobs in the service sector, while remaining the country's financial centre. Some institutions from the old Fordist regime, such as labour unions and pillarized organization structures still play a prominent role (Oosterlynck, 2010).

In the Netherlands, to the contrary, these institutions have decreased in importance, and the nerve of the decision-making process is still at the national level. Mercantilism, international competition and the search for collective solutions are deeply embedded within political culture. Although policies and discourses during the post-1980s reform period were "heavily skewed towards the wishes of capital rather than labour" (Bruff, 2011, p. 494), they were adopted relatively smoothly across the different layers of society. Essential in this model of negotiation and compromise are advisory organizations (e.g. SER, CPB) seen as neutral, but, for which economic goals dominate. Therefore, a market-oriented attitude proved fertile soil in the 1990s for opening up the political economy to processes of financialization (Engelen et al., 2010). The next section describes how Dutch and Belgian banks transformed their business models in rather similar ways—despite the differences outlined above.

4.3.2 More market-oriented banking

The creation of one European financial market, combined with national reregulation of banking, privatization and structural current account surpluses, enabled the adoption of market-based banking business in the Low Countries. Banks grew rapidly—both in assets and in credit provision—internationalized their balance sheets, and became major players on global capital markets. Banking operations were also heavily consolidated, in the Netherlands into three banks (ABN Amro, Rabo and ING) and four in Belgium (bnpparibasfortis, KBC, Belfius [formerly Dexia] and ING) (Chang and Jones, 2013) (Table 4.1d).

In the Netherlands, the rise of market-oriented banking is mostly the result of reregulation during the 1990s, which relaxed the borrowing conditions for Dutch households setting in motion a housing boom and continuous demand for new, higher mortgages. Other reregulation allowed the securitization of mortgages, enabling Dutch banks to take the ever growing pile of mortgages off their balance sheets spurring rapid growth (Engelen, 2015).

In Belgium public credit agencies—Openbare Krediet Instellingen (OKI)—played a pivotal role in the management of a large reservoir of household deposits, mostly to provide conservative loans against low rates (Depuydt, 2010). During the privatization wave of the 1990s OKIs merged, and the deposits—no longer legally separate from portfolio investments—became concentrated in three listed banks. These banks had interbank lending at the centre of their ambitious growth models. They used the deposits and current account surpluses as collateral for leveraged growth, becoming important players in the management of international capital streams (Chang and Jones, 2013).

The recent growth and internationalization of the major Dutch and Belgian banks shows striking similarities as “patient capital was swapped for profit maximization” (Chang and Jones, 2013, p. 84). Fees and commissions became more important than interest margins on loans and deposits, and relationships with corporations became more at arm’s-length aiming to sell complex, often debt related, financial instruments (Table 4.1d). Whereas Dutch banks connected themselves to global financial markets mostly through securitization, Belgian banks became mostly connected through interbank borrowing. Once global capital halted banks experienced enormous losses, which were partly nationalized.

4.3 Financialization of corporations

Although Belgian and Dutch firms obtain similar capital from equity markets(Hardie and Howarth, 2013, p. 6), the sources are profoundly different. Belgian firms receive patient capital from wealthy Belgian households, whose second largest asset—after net real estate (€953 billion in 2013)—consists of listed and non-listed equity (€433 billion). Families use this equity in mostly Belgian corporations to grow their multigenerational wealth in a slow, low-risk manner. They use their controlling stakes to set business strategies around predictable results, cost efficiency and risk minimization. They resist high levels of external capital or financial innovation as it decreases their influence. Outsiders are further kept away by opaque corporate governance that blurs the lines between owners, directors and managers. As a result, corporations remain relatively small and domestically oriented also taking non-financial goals as socio-emotional wealth creation seriously (Stockmans et al., 2010; Molly et al., 2012).

On the other hand, in the Dutch collective mechanism of wealth accumulation through a mandatory pension system, institutional investors manage the largest assets of Dutch households—€1.2 trillion in pension fund savings in 2013. Although nowadays much of these savings are invested abroad, in the 1990s pension funds pressured for important reregulation making it very attractive for impatient foreign investors to invest in internationally oriented Dutch corporations (Engelen et al., 2010; van Loon and Aalbers, 2017). Also, patient capital in the form of family capital is much less present in the Netherlands, only €91 billion in listed and unlisted equity in 2013. Stimulated by their shareholders, large, internationally oriented Dutch corporations adopted growth strategies that focused on the enlargement of fictitious capital, mostly through capital gains and mergers and acquisitions (Bezemer and Muysken, 2015).

Hence, whereas in Belgium individual wealth accumulation seems to be an important barrier for the financialization of real estate developers by the creation of patient, family capital, Dutch collective wealth accumulation seems to be an important force for financialization by the creation of an impatient, institutional wall of money.

4.4 The (non-)financialization of real estate developers

Comparable, aggregated quantitative data on long-term changes within the business models of real estate developers in the Low Countries is hard to find. Therefore, this section combines the relevant, available quantitative data with newspaper articles, public documents, and, in particular, 17 interviews in Belgium and 23 interviews in the Netherlands with key players, ranging from CEOs of real estate developers and banks to high level officials from planning departments.

Section 4.4.1 first shows that the three main aspects of the financialization of developer business strategies—(a) the adoption of leveraged growth; (b) prioritizing the creation of fictitious value over the production of a functioning built environment; and (c) financial actors—mainly as shareholders—pressuring for a refocus on short-termism—were much more visible in business models of Dutch than Belgian developers. Sections 4.4.1 and 4.4.2 explain these differences by discussing developer practices in each country. Residential development, with mostly households as client/buyer and less risky finance models, and commercial real estate development, often for business as tenant and professional investors as buyer, are rather different practices. Still, analysing them together allows to analyse how processes of financialization differ in magnitude throughout the entire real estate sector. Consequently, it demonstrates how the working of patient capital cuts across disciplines and therefore offers a strong explanation about developments within both political economies.

4.4.1 (Non-)financialization of Dutch and Belgian developers

Since the 1980s Dutch and Belgian cities experienced an internationalization in both the users of commercial real estate (i.e. tenants) and the owners (i.e. property investors). The rise of the service sector and the consumer society, combined with economic growth, pushed demand for retail and office space up (Figure 4.1). The Belgian real estate investment market has remained opaque because, compared to the Netherlands, valuation procedures, information gathering, professional magazines and transparency are of considerably lower standards (Taşan-Kok, 2010). Consequently, it is very hard to gather meaningful, quantitative data on Belgian developers.

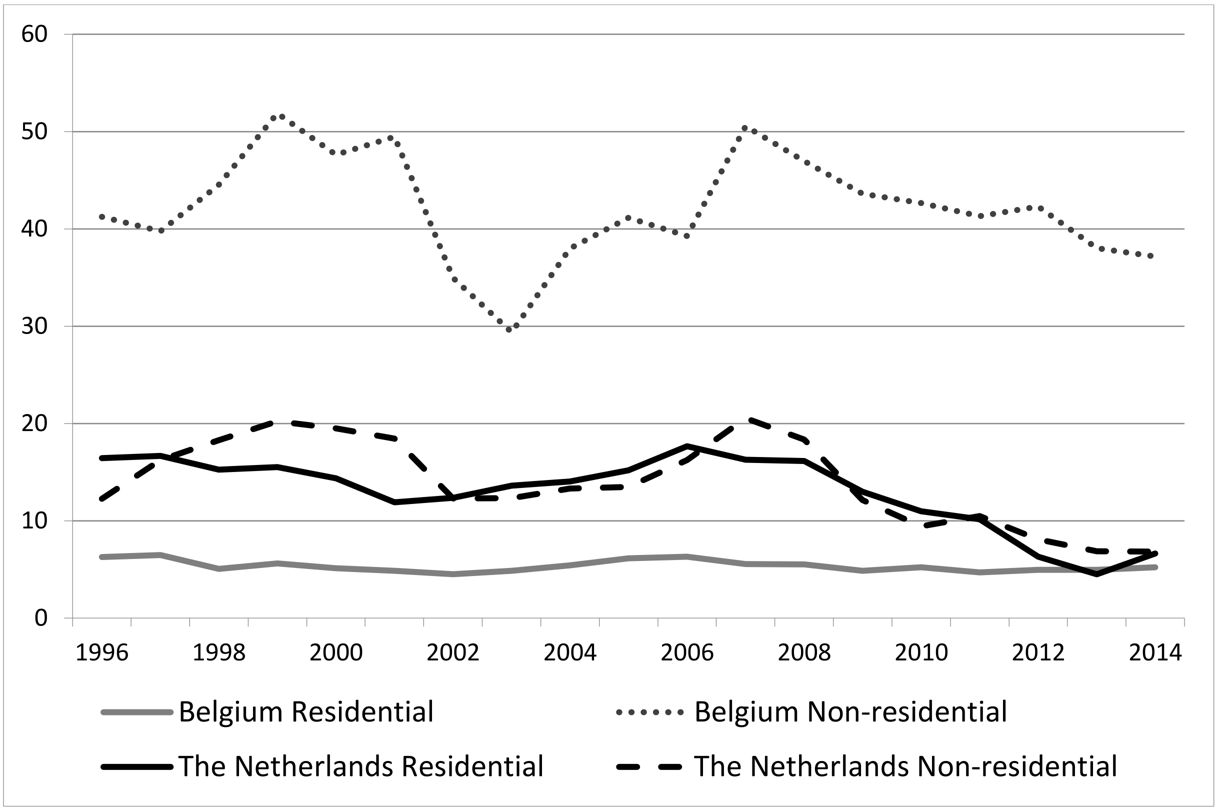
As Figures 4.1 and 4.2 illustrate, before both the burst of the dotcom bubble (2001) and the credit crunch (2007–2008), the influx of capital and unrealistic estimations surrounding future demand led to the overproduction in both countries, especially of office space. Whereas overbuilding in the Netherlands was combined with a strong increase in leverage to commercial developers and, rapid, often leveraged, international expansion, Belgian developers reacted much more conservatively by focussing solely on top locations, switching to other segments of real estate, and expanding into neighbouring countries. Moreover, Belgian developers were keen to transfer risks to investors through complicated contracts. Also, while in the Netherlands financial actors, mostly banks, were strongly presents as owners of Dutch real estate developers before 2008, the data on Brussels suggests that financial actors became more influential only after 2008 (Tables 4.2 and 4.3). Historically Belgian banks have not held considerable real estate development activities. Recently other financial actors, such as the insurance company AG and the financial investor Ackermans & van Haaren, became very active. However, as shown below, their long-term investment perspective did not set in motion the financialization.

Comparing changes in loan provision is challenging. For Belgium only data on loans to all real estate corporations (straight grey line in Figure 4.2) and loans to all construction activity (round dots) are available, while for the Netherlands there could be some doubling of the data as it is obtained from different sources. In the Netherlands most credit streamed to developers under very relaxed borrowing conditions, while in Belgium borrowing conditions remained relatively stringent. When the crisis hit, banks in both countries refocused on domestic markets. Whereas Dutch banks substantially scaled down their lending, in Belgium loan provision continued, even creating a “relative credit bonanza” (Hanseeuw, 2014, p. 5). In the Dutch case, financial actors influenced the behaviour of real estate developers to a great extent, not only by becoming one of the larger real estate developers of Europe (e.g. ING Real Estate, Rabo with Bouwfonds and MAB), but also by over-financing developers.

With regard to the development of residential real estate there are some crucial differences. As Table 4.1 illustrates, the Netherlands had a much stronger population growth. In the Dutch planning system, state agencies play a leading role and successfully steered the creation of a compact, rigidly ordered built environment. In Belgium, where landownership is more individual and state agencies less powerful, residential developments are small: individuals usually provide in their own housing. As a result, private households are the largest Belgian developers, and professional developers tend to be relatively small and locally oriented (Table 4.2). For the Netherlands, it is possible to distinguish between private commissions, rather rare compared to Belgium; housing associations which play a considerable role; and commercial developers, whereby the larger ones are often part of construction firms (BAM, Volkert Wessels), institutional investors (AM, Vesteda) or banks (Bouwfonds). As discussed below in more detail, housing associations did adopt complex financial instruments to enhance their short-term (financial) profitability. Moreover, listed construction firms and some financial developers also increased their debt ratio and grew rapidly through takeovers and the creation of large land possessions.

Thus, the scarce comparative data available suggest that financial actors increasingly influence the business strategies of commercial, and in the Dutch case also residential, real estate developers. The next two sections will take a closer look at each country, showing how excessive debt generation in the Netherlands made developer business models short-term oriented, while in Belgium long-term perspectives prevail.

Figure 4.1 Estimation for activity developers: new building permits (x 1 million square meter)



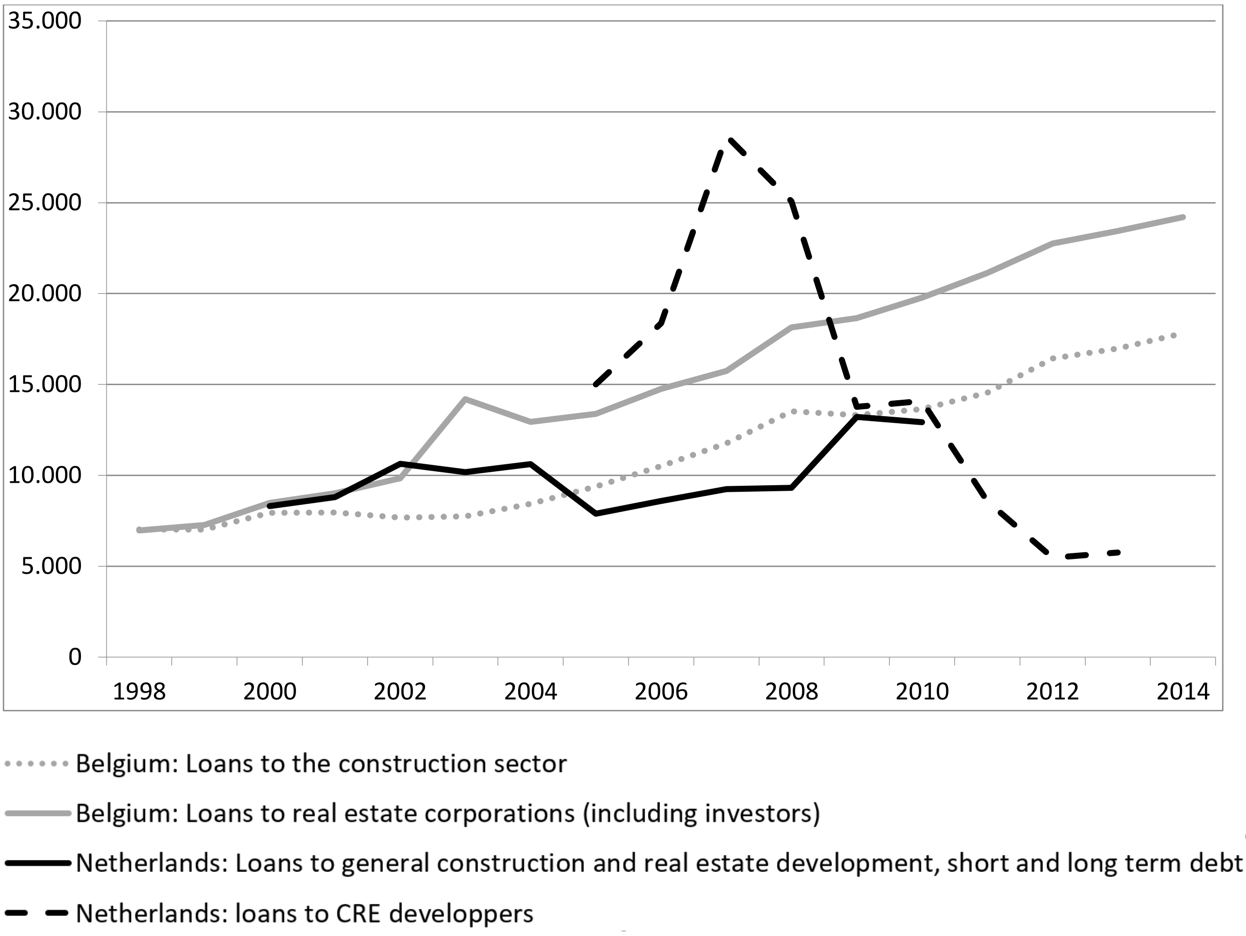
Note: Because each country uses a different standard, it is difficult to compare data on non-residential real estate production. *Source:* CBS (2015); Statistics Belgium (2015)

4.4.2 The non-financialization of Belgian developers

Where Belgian real estate development depended mostly on supporting urban sprawl, since the late 1990s urban (re)development projects became increasingly important. The majority of new Belgian houses is still developed like in the early 1990s: serried plots of land are bought as cheaply as possible, a geometer draws building plots (verkaveling) and then a concept developer tries to get permits for rezoning, often making use of local political contacts. Finally, individuals, in the case of owner-construction, or real estate developers design and build the houses. Residential developers are usually part of a familial construction firm using a large portion of their own capital, often in the form of land possessions, which makes them rather conservative. This attitude is reflected by the focus on well-known regions, familiar building techniques, and profit maximization by minimizing costs (especially through rational designs and cheaper materials) and by maximizing revenue through "always building the maximum surface that the building permit allows" (interview). This practice is not capital intensive as plots are relatively small, and external capital is mostly obtained for construction, which only starts after most units have been sold.

Financialization is an unlikely outcome in this context. The case of Matexi, the largest residential developer in the country, illustrates a likely case for financialization: it had considerable revenue growth (from €25 million in the early

Figure 4.2 Indicators for loans to real estate developers (in mln Euro)



Sources: NBB (2015); CBS (2015); Property NL (2007-2015)

Table 4.2 Indication for relative market share of residential real estate developers: commissioners of new construction projects

Belgium				
	1995	2001	2007	2014
Corporations	22%	32%	37%	42%
Private commisions	73%	62%	59%	49%
State agencies and social housing providers	6%	6%	3%	9%
The Netherlands				
	1995	2001	2007	2014
Construction firms, institutional investors, banks, developers	47%	65%	61%	70%
Private commissions	16%	16%	10%	12%
State agencies and social housing providers	37%	18%	29%	18%

Sources: Statistics Belgium (2015), CBS (2015)

1990s to €250 million in the 2010s); the shareholders, the family Vande Vyvere were open to financial innovation; and it owned considerable plots that increased in value (Luysterman, 2010a). Matexi was started in 1945 by the three Vande Vyvere brothers, and by the early 1990s grew into a major construction firm. Its business model was a good example of the verkaveling model described above, and, for the corporation good relationships with employees and business partners was more important than efficiency and growth. However, with the appointment of Gaetan Hannecart, husband of Bénédicte Vande Vyvere, as CEO, Matexi set off on a path of professionalization. But, growth is still not the main goal, the focus is on “the realisation of high quality projects at the right locations” (Luysterman, 2010a, p. 0). With the take-over of Wilma Belgium in 2000, Matexi revised its business strategy to also include urban redevelopment projects.

There was strong pressure from Belgian banks, but also from peers, to spur growth by increasing leverage: “I have felt myself pretty dumb when I explained to American friends that we leverage 50 percent. They said, ‘why don’t you optimize? Much higher return on equity!’’ (interview). Also, Matexi did not apply for project loans that have the advantage of transferring risks to banks. As the reputation as reliable partner is extremely important, Matexi preferred taking a loss to bad publicity from bankrupt projects.

Since the late 1990, new residential units are increasing being developed in urban built environments, creating more complexity and increasing the need for professional developers (Table 4.2). This trend coincided with a wave of overproduction in office space, hence, many commercial real estate developers switched to other segments of real estate. During the 1990s, these new commercial real estate developers started to replace family construction firms—who built in central, urban areas in assignment of the end-users and in sizeable volumes—as main producers of offices and retail. These new developers often sold the properties to investors instead of end-users. Also, they built smaller properties in more peripheral areas, usually specializing in a certain segment. Their growth was spurred by the entrance of Swedish investors who had ‘so much [investment] money and pressure to invest that they bought everything, even when there was no tenant’ (interview). In the 2000s another wave of opportunistic Anglo-American investors was again very profitable for Belgian developers as they were able to transfer development risks to these investors. Most production took place in Brussels where developers, closely cooperating with local politicians, ignored local legislation and developed modernistic skyscrapers without taking into account the surrounding built environment (Beule, 2010). In the words of one of the most productive architects, Jaspers, it is not about design: “It is always about obtaining building permits, that is the job of the architect” (Vermeersch and van Garsse, 2015, p. 0).

When the crisis hit, finance to real estate developers decreased but not that dramatically as banks had strict requirements for loan provision such as pre-letting, and an intense screening of the feasibility of the real estate project itself: “even for our best clients we still strictly scan every project" (interview). Profitable interest margins are the sole source of income from these loans. Thus, despite the collapse of the banking sector, the "Belgian brick sparkles as always, thanks to its stability" (BVS, 2013, p. 8).

The recent history of Atenor illustrates general practices also observed at other Belgian commercial developers. Cominière, once the second largest corporation in the Belgian Congo, almost faced bankruptcy in the early 1990s. With its Brussels headquarters as the only remaining valuable asset, Séphan Sonneville, not experienced in real estate, successfully redeveloped this office building, and Cominière became Atenor. With Sonneville as CEO, Atenor specialized itself in the construction of modern offices in central locations in a booming Brussels market. During the 2000s Atenor's sold its non-real estate activities, mostly equity in non-listed industrial corporations.

The familial shareholders who own most listed shares of Atenor have a long-term approach based on constant dividends through stable growth. They "are not willing to act recklessly. They are only willing to invest in high quality projects, with foreign architects who design the most sustainable properties on the best locations" (Sonneville, company website). Risk management prevails over boosting the corporation's (fictitious) share value. Atenor was also flexible and adaptable. Once the first signs of saturation in the Brussels office market were observed, it expanded abroad and started with residential projects. Another important element of the business model is going against the grain. In Luxembourg this strategy worked out very well: Atenor purchased a lot of land very cheaply just after the internet bubble collapsed. When the properties were sold, Atenor tripled its profits to almost €45 million in 2008 (Atenor, 2015, p. 0).

Table 4.3 Building permits for the (re)development of offices in Brussels (5 year average)

	1997-2001	2003-2007	2009-2013
Belgian state agencies/European Union	16%	5%	12%
Banks and insurers	37%	34%	39%
Corporations and individuals	47%	61%	50%

Sources: Gewestelijke Overheidsdienst Brussel and Brussel Stedelijke Ontwikkeling (available since 1997)

The modus operandi of Belgian real estate developers demonstrates how patient capital, in the form of family capital, acted as an important barrier to changing the developer business models towards short-termism. As families strive for moderate, low-risk growth of their multigenerational wealth and want to stay in control, they are very averse to high levels of external capital. As a result of their long history, they have a vivid memory of important historic events, such as the real estate crisis in the late 1970s. Patient capital fits well with Belgian real estate, with its long turnover times, it matches "the mental duration of capital with the mental duration of real estate projects" (interview). To remain into control, families are averse to mergers and acquisitions, maintaining a landscape of many small, locally oriented real estate developers, and thus hindering financial innovation.

Business models remain relatively simple including straightforward strategies as trying to sell land cheap and to start developing once markets rise again. Local political ties and reputation management are paramount, as ‘trust’ makes for a smoother business process. Still, non-financialization does not mean a stronger focus on the quality of the production process and end product. Developers still seek to increase profits through traditional methods, like cutting construction costs. Profit maximization seems to be more fundamental than designing sustainable properties that satisfy the needs of individuals and society.

4.4.3 The financialization of Dutch developers

After the Second World War the Netherlands faced a dire real estate shortage. The answer was mass construction of real estate whereby the central state provided generous funding to large-scale developers (mostly owned by municipalities, housing associations and private/institutional investors) for building large-scale, mixed income housing projects in close cooperation with local planning authorities.

A Dutch wave of privatization in the 1990s set in motion the merging of many municipal developers with housing associations that became semi-public owners of large real estate portfolios and were operating in an opaque institutional setting. The booming housing market made housing associations asset rich. As Table 4.2 illustrates, much of this societal capital was used to expand their real estate development activities ranging from luxurious housing to projects improving liveability. Despite having cheap and easy access to loans from state banks through a state guaranteed system, many housing associations bought derivatives related to their real estate development activities. Some used derivatives conservatively, but, the largest housing association Vestia first used derivatives to gear financial profitability, and, later to gamble on global capital markets, losing at least €3 billion (Aalbers et al., 2017). Thus, whereas in the 1980s the societal capital of housing associations was, through stringent state-regulation, “ring-fenced” (Allen and Pryke, 2013) from predatory finance, now finance captured some housing associations.

Construction firms had already adopted real estate development during the 1990s (Table 4.4) as the higher profit margins, in particular when leveraged, boosted their financial results. To secure future development projects and to profit from increasing land values, construction firms bought large tracks of land, but, problems arose in 2008 when construction activity and land values decreased. The largest developing construction firm, BAM, had to write off €594 million between 2009 and 2012 of its market valued assets, mostly land. Project losses were smaller, as construction only starts after a considerable portion of the units are sold, and all larger developing construction firms survived the crisis.

Table 4.4 Estimated relative market share of commercial real estate developers, the Netherlands

	2001	2007	2014
Construction firm	26%	28%	23%
Finance	39%	39%	17%
Developer	32%	24%	38%
Developer investor	3%	9%	22%

Source: top 49 developers of the annual top101 list published by Property NL (available since 2001)

Note 1 As data on ownership of commercial Belgian real estate developers is not available this table gives a, very rough, indication for who is involved in (re)development activities of offices in Brussels (i.e. by far the largest market for commercial real estate in Belgium)
Note 2 Table 4.4 uses a five year average as the permission of permits, in contrast to the ownership of Dutch developers, fluctuates a lot

Institutional investors have always been both major investors and developers of Dutch residential real estate. In the 1980s the pension fund for public servants, ABP, was by far the largest developer of affordable housing, generating a stable, but low, rate of return. As institutional investors adopt a pure financial investment perspective, their development activities are shaped by financial models and calculations. ABP is now primarily interested in those areas where luxurious housing can generate the highest and most volatile rates of return (van Loon and Aalbers, 2017).

Since the 1990s, Dutch banks became increasingly more active in residential development. The example of Bouwfonds/MAB, originally owned by municipalities and taken over by ABN in 2005, is illustrative. ABN transformed this domestic developer of affordable housing into a large international developer of residential projects and also prestigious commercial projects (after the takeover of MAB). However, after 2007 many projects proved to be too optimistic and, after writing off most of the fictitious project values, the new owner Rabo decided to exclusively proceed with residential development activities (van Loon and de Graaf, 2015). In general, developers owned by Dutch banks followed opportunistic strategies: international expansion, usually through leveraged growth, was often more important than actual real estate demand.

During the 1990s a new model of real estate development arose in the Netherlands, with municipalities playing a pivotal role: they granted zoning/building permits and earned profits from leveraged land speculation, hence creating “over-optimistic over-zoning” (Janssen-Jansen et al., 2012, p. 2). A substantial part of these profits was used to subsidize nonprofitable investments such as affordable housing, but a significant share—€3.2 billion between 2004 and 2008—was embraced by aldermen to build prestige projects (e.g. city halls, theatres), as land profits is the only source of income that municipalities can spend freely (ASRE and PBL, 2013). Developers were known to seduce municipalities in order to create larger, more prestigious plans: “it’s like flirting with a women: you have to overwhelm them, you have to show off" (interview). Once seduced, developers were clever enough to transfer most of the development risks to municipalities.

This over-optimistic planning model was furthered by the wide availability of money, both from investors (i.e. home buyers, institutional/private investors) and from banks. As part of their growth seeking strategy, the banks' real estate finance departments were forced to increase production (Figure 4.2), even when heads of department doubted the sustainability: "I preferred an exit from financing new offices, but, to realise your growth targets you had to finance offices" (interview). Consequently, borrowing conditions were relaxed to new lows: "if you proposed a new project for above €2.5 million SNS would give you a loan directly, showing a building permit was not required" (interview). Loan-to-value ratios of 100% were common, and there was no control on how the borrowed money was spent: "Development was not driven by demand, it was driven by capital" (interview).

Debt was also used for international expansion. Financial real estate developers such as ING Real Estate, Bouwfonds MAB and Multi became major European actors. However, the foundation of the system—ever increasing real estate values providing sound collateral for excessive lending—proved fragile once Lehman Brothers fell in 2008. Figure 4.2 illustrates that, in 2008, banks stopped new lending to commercial developers, and decreasing real estate values devaluated the collateral. Highly leveraged developers went bankrupt, leaving hundreds of millions in debt and setting in motion the nationalization of the fourth largest Dutch bank, SNS Reaal. Also, banks started to scale or shut down their development activities, evaporating billions in fictitious value. In addition, decreasing land values created €3.3 billion in losses between 2009 and 2013 for municipalities leading to several municipal bankruptcies. Surviving developers now work with other sources such as forward funding by the end user or investor. Therefore, trust between actors has become quintessential, thus increasing project complexity, making new projects much smaller and focused on urban redevelopments (Mackaaij and Nozeman, 2014).

Although an extreme case, the recent history of Multi is illustrative for both the internationalization and financialization of Dutch real estate developers. Started by Van Veggel in 1982, Multi expanded into Portugal in the late 1990s when the brother of one of the major shareholders informed them about the booming Portuguese economy. More sophisticated studies and analyses, combined with the growing appetite of Dutch institutional investors, provided the basis for further international expansion. In 2006 Multi is bought by a real estate investment fund of Morgan Stanley, which followed an opportunistic business model to boost profits with relaxed pre-letting requirements, exclusive developments for the fund of Morgan Stanley REF V, and a 3-year, €950 million loan from 11 banks. This loan could be used as equity and thus as collateral for new loans on projects, creating "an eternal multiplier for infinite money production" (interview). The loan is based on the expectation that rising capital values of realized projects will allow the generation of new loans that can be used to repay the original loan. The loan was negotiated during the peak of bullish European real estate markets and loose finance. Shortly later, a couple of the banks faced dire financial conditions, and Multi struggled to realize the expected value-increases on completed projects in the then depressed real estate markets. Consequently, between 2008 and 2010, it accumulated losses totaling €400 million.

In 2010, the loan was renegotiated, but, the 11 banks now had rather different visions. Crucially, a new clause allowing the resell of loans and transforming the loans into claims on equity was added. After the refinancing, Multi continued its business and was repaying the debt. In 2012, Blackstone started to buy up loans and started to build up voting power that it used to frustrate Multi's activities to motivate the other banks to sell their loans including the claims on equity. In late 2013, Blackstone obtained ownership of €3 to €5 billion in real estate projects by buying loans with a value of €850 million for about €500 million. Multi is now used by Blackstone as an entity to build a large European retail real estate fund. It has become a financial development investor.

In the Netherlands, impatient capital pressured different types of developers to refocus their activities around short-term (financial) profit maximization. For some, in particular housing associations but also financial developers such as Vesteda, this was illustrated by the adoption of complex financial products, such as derivatives and CMBS. Leverage, happily provided by growth seeking banks, was adopted even by municipalities to buy land or fuel foreign growth, usually through mergers or acquisitions, thus creating large, internationally oriented developers. But, also households and investors increased leverage to buy real estate further inflating the bubbles of fictitious capital (Harvey, 2006; Haiven, 2011). As the buyers of real estate were strongly focused on exchange value, the demands of end users became increasingly irrelevant, now producing "spread sheets transformed into concrete" (interview).

Strategies were often structured by one or two ambitious entrepreneurs, or heavily influenced by the growth motives of its financial owner. In both occasions, impatience led to opportunism and sophisticated but risky strategies. As many actors were relatively new to real estate development, a collective memory of the popped bubbles in the past was missing. Once the bubble bust the winners of impatient real estate development became the losers, and resorted to begging the state to save them through nationalization and state aid, transferring the cost of their bad performing real estate loans and projects to the public.

4.5. Conclusions

In this article, the financialization of real estate developers is seen as a qualitative transformation whereby the adoption of impatient debt and/or equity makes short-term (financial) profit maximization the leading focus.

Where patient capital in Belgium was resilient to financialization pressures, all three formulated indicators of financialization were clearly observable in the business models of Dutch residential and commercial real estate developers. First, within all different types of developers complex financial instruments or leveraged growth came to dominate many business strategies. Second, institutional investors already owned developers in the 1980s, but during the 1990s also the large Dutch banks considerably increased their real estate development activities and used their development corporations to spur growth. Third, this welcoming of impatient capital created an enormous fictitious bubble, with real estate debt generation as an important engine for economic growth (Engelen, 2015). This vision was based on the idea that “you can boost economic growth through real estate development. However, real estate follows economic growth: when real estate is not used it has no value whatsoever” (interview). Consequently, while all actors thought that future revenues would allow the debtors to repay, in reality, once the volatile, highly leveraged real estate markets fell many developers went bankrupt not able to repay the outstanding debts. Their overleveraged business models heavily amplify the up and downs of global capital markets, thus increasing extremes within domestic accumulation cycles (Harvey, 2006). Put differently, real estate actors’ willingness to take up both impatient debt and equity from large, internationalizing Dutch banks directly tied the Dutch real estate market to global, financialized capitalism.

On the other hand, the dominance of patient capital, in the form of risk-averse family capital aiming to grow sustainably, maintained a different business model for Belgian developers, making it possible to resist financialization, despite facing the similar bank pressures as in the Netherlands. Although Belgian developers did start using more sophisticated financial instruments, such as bonds, financial sector actors and ideas did not capture their business models. As regulation is increasingly regionalized, local customs, local knowledge and in particular local networks become crucial for understanding the developers’ actions. To remain in control, familial shareholders resisted rapid growth through acquisitions and/or high indebtedness. Instead, Belgian developers opted for debt and equity constructions that guarantee a long-term focus on profitability including non-financial considerations such as socio-emotional wealth elements (Lehrer and Celo, 2016; Deeg and Hardie, 2016). Their actions seem to have moderated domestic accumulation cycles by moderating influences during the rise of financialized capitalism, suggesting that high levels of patient capital can also contribute to shielding domestic economic sectors from financialization processes. Other important elements of this protection within the Belgian political economy seem to be the regionalization of public policy, the strong position of labour unions in Belgium, weak state agencies that lack power to reform, opaque governance structures and the lax implementation of European legislation. Within the Belgian political economy real estate is conceptualized as individual investment that needs protection; financializing it to spur economic growth at the national level is not a priority. Still, the workings of these non-financialized firms should not be romanticized—profit maximization remains central in their operations, often at the cost of the wishes of end-users and built environment quality.

In conclusion, the practices of developers indicate how a financialized Dutch political economy accelerates cycles of accumulation with extreme mania and more devastating periods of devaluation while in Belgium patient capital is a strong barrier against financialized capitalism’s volatility. Therefore, real estate development seems to be a crucial sector to study financialization as its capital intensity and connection to the global capital market heavily influences domestic waves of accumulation. Still, much remains unknown about how these findings translate to other layers of political economies, for instance, banks in both countries ‘financialized’ in similar ways. Also, a more fine-grained analysis at the level of the individual firm or subsector (i.e. offices, retail, residential, etc.) including a wider geographical scope is needed to develop more nuanced insights into the process of financialization and the working of patient capital as barrier. Such comparative studies are also crucial for analysing how the rise of financialized capitalism influences national political economies.

Chapter 5 Capital provision and the (non-)financialization of real estate development: the cases of Immobel and TCN

This chapter could be transformed into a single-authored paper as it is solely my own work.

5.1 Introduction

A wide range of studies on the financialization of the built environment shows how finance and real estate have become both increasingly dominant within political economies and increasingly interconnected with each other (Weber, 2010; Rutland, 2010; Pacewicz, 2013; Coq-Huelva, 2013; Healey, 1994; Merrifield, 1993; O'Neill, 2013; Ashton et al., 2016; Aalbers, 2012; Lizieri and Pain, 2014). Recent contributions have put real estate developers central as they translate the wishes of global financial actors for financial assets into the local production of the built environment thereby engaging with complex urban political economies (Weber, 2015; Halbert and Attuyer, 2016; Halbert et al., 2014). A wealth of recent case studies about the realization of urban projects shows how global finance has, through the work of real estate developers, varying degrees of success in putting financial investment criteria central to the production of the built environment (Guironnet et al., 2016; Savini and Aalbers, 2016; Rutland, 2010; Theurillat and Crevoisier, 2013; Pacewicz, 2013; David and Halbert, 2013; Theurillat et al., 2016; Mosciaro, n.d.; Hebb and Sharma, 2014). This focus on single urban projects underestimates the dynamics within real estate developers themselves. Consequently, the effects of real estate developers being captured by finance through financialization processes on the production of the built environment has been understudied (see Aalbers et al., 2017; Sanfelici and Halbert, 2015 Chapter 4; for exceptions).

This chapter answers to the call for empirical studies “in order to fully grasp the depth and breadth of the financialization of urban production” (Halbert and Attuyer, 2016, p. 1348). But, instead of analyzing the realization of urban projects this chapter puts the recent history of two developers that primarily produce offices and retail (i.e., commercial real estate) central. Accordingly, and in line with Sanfelici and Halbert (2015), it thus widens the scope by not focusing on how “financial circuits” influence the production of the built environment (cf. Halbert et al., 2014), but, on how “financial circuits” (i.e., the rise of financialization processes) shape the corporate strategies of crucial producers of the built environment, i.e., commercial real estate developers.

Focusing on a Dutch and Belgian commercial developer shows that they have experienced similar trends observed in many other Western cities such as regular economic and building cycles (Leitner, 1994) leading to over-building (Weber, 2015), the internationalization of clients both tenants and investors (Magalhaes, 2001; Moulaert et al., 2001), the professionalization of the real estate sector (Bitterer and Heeg, 2012), rise of market oriented banking (Chang and Jones, 2013) and local governments adopting market oriented policy instruments or financialization tools

(Kirkpatrick, 2016). As such, this chapter builds on previous work, especially Chapter 4 of this dissertation, that demonstrates how, despite experiencing these similar trends, within the sector of real estate development, Dutch developers opened up to a great extent for financialization processes while in Belgium persistent barriers existed in the form of patient capital primarily multi-generational wealth looking for sustainable growth through equity holdings (see also van Loon, 2017; van Loon and de Graaf, 2015). Investigating how two commercial real estate developers—that experienced similar market trends but had different mixtures of patient and impatient capital providers—formulated different corporate strategies (understood as the "overall plan" of a corporation (Porter, 1989, p. 234)) creates a more detailed understanding of the geographical variegation of financialization processes related to real estate.

Through investigating changes in corporate strategies and their financial and spatial manifestation this chapter aims to show in more detail how financialization took place within the typical Dutch commercial real estate developer TCN. Rudy Stroink, the owner of TCN rigidly implemented an opportunistic corporate strategy of rapid corporate value growth based on leverage. As such, the typical case of TCN illustrates that the financialization of a non-financial corporation (hereafter NFC) not necessarily relates to financial actors taking over, entrepreneurs internalizing financial metrics/financial asset management or financial shareholders pushing for short-termism as dominant explanations suggest (cf. Aglietta, 2000; Pike and Pollard, 2009; Froud et al., 2014; Kaika and Ruggiero, 2016). Instead, the case of TCN illustrates how abundant capital of which the owners did not pose critical questions over its use set in motion the opportunistic use of a myriad of financialization tools making finance dominant.

The Belgian case investigates how patient capital influences a specific corporate strategy. Chapter 4 focuses on the reproduction of multi-generational wealth as a form of patient capital: the most patient form of capital provision (Deeg and Hardie, 2016). This chapter adopts a broader perspective by looking at patient capital as a continuum of equity and debt providers. In this respect, the most patient providers—such as passive funds and relationship banks—have a long-term perspective that usually also includes the fulfilment of non-financial benefits (Colli, 2013; Lehrer and Schmid, 2015; Chrisman et al., 2011). In the typical Belgian commercial real estate developer Immobel, patient capital exists through powerful, concessive blockholders (Generale Maatschappij; Suez/Group de Waele; Eastbridge; Galle). The case of Immobel shows how a substantial level of patient capital did not prevent the adoption of financialization tools. However, once this accumulation of financialization tools was deemed problematic by 2001 concessive patient capital providers started a process of 'de-financialization' clearing Immobel's balance sheet from financialization tools and refocusing its strategy on the regular production process, i.e., real estate development.

Therefore, this chapter takes the work of Deeg and Hardie (2016) a step further through empirically investigating how different mixtures of patient and impatient capital provision set in motion different corporate strategies. It illustrates how the mixture of capital providers changes over time and how different providers can become dominant thus strongly influencing a corporation's strategy. This chapter starts out with a brief discussion on the similar trends commercial developers in the Low Countries encountered. Section 5.2.2 subsequently discusses financialization processes at the level of the non-financial corporation and how patient capital can form a barrier allowing to present research methods in Section 5.2.3 The case studies of Immobel and TCN in sections 5.3 and 5.4 show these commercial real estate developers respectively de-financialized and fully financialized. Section 5.5 subsequently analyses the role of different mixtures of patient and impatient capital led on Immobel's and TCN's corporate strategies. Section 5.6, finally, reflects on how the cases create a better understanding of both political economies and how processes of financialization relate to the continuum of patient/impatient capital.

5.2. Studying commercial real estate developers

This section first discusses some general trends related to commercial real estate practices that show remarkable similarities in the Low Countries. Section 5.2.2 subsequently presents a further conceptualization on how financialization processes interact with differing degrees of patience of the capital provision towards NFCs. Section 5.2.3 discusses the methods used to develop a more in-depth understanding on how different forms of capital provision have influenced the corporate strategies of Immobel and TCN differently.

5.2.1 Common trends in commercial real estate, different corporate histories

Previous studies show some significant commonalities in the recent history of commercial real estate development in the Low Countries (Van Loon, 2017 Chapter 4). Since the late 1980s clients of developers, both investors and tenants, internationalized and the real estate sector itself professionalized and internationalized accordingly. This is exemplified through the entrance of foreign consultancies/intermediaries, adoption of international real estate standards and origination of knowledge institutes and think thanks. However, this process of professionalization was more pronounced in the Netherlands which is labelled by JLL as 'highly transparent' while Belgium is labelled as 'transparent' (JLL, 2016; Taşan-Kok, 2010). Moreover, the shift towards a service and consumption led economy increased demand for commercial real estate strongly (Beule, 2010; Martens, 2009; Buitelaar and Bregman, 2016; Moulaert et al., 2001). However, stimulated by (foreign) investors eager to buy investment properties, both countries experienced intense periods of over-building in the years before the bust of the Dotcom-bubble (2001) and credit crunch (2008) (see Figure 5.1). As a result, by 2014 in the Netherlands on average 17,5% of all office space was vacant and in more peripheral Belgian areas 20%, but, also rent-levels have, since 2001, not increased in many areas (JLL, 2015, p. 6; ASRE and PBL, 2013, p. 47). However, whereas the credit crunch caused a standstill of commercial real estate development in the Netherlands, production in Belgium only moderately decreased (see Figure 5.1).

In the Netherlands over-building was not only combined with a sizeable in- and outflow of debt (see Figure 5.1), it was also combined with an entrepreneurial turn in urban governance in which municipalities adopted aggressive pro-growth planning policies to profit—through municipal land banking—from increasing real estate prices (Janssen-Jansen et al., 2012; Buitelaar and Bregman, 2016). Flemish municipalities also adopted more market oriented policy instruments to steer urban development (i.e., municipal real estate corporations, PPPs), but, municipal investments into real estate projects and land remained relatively small compared to the Netherlands (Taşan-Kok, 2010 chapter 6). Nevertheless, this shift in urban governance has increased the possibilities for commercial real estate developers and in Belgium many commercial developers shifted to residential projects often through PPPs once the (Brussels) office market showed signs of saturation, or internationalized (primarily to Luxembourg and some Eastern European countries).

Crucially, in both countries banks adopted more market oriented business models shifting the focus from interest margins and long-term relationships with borrowers and depositors towards fees, commissions, investment banking and activities on global financial markets leading to domestic consolidation and rapid expansion (Chang and Jones, 2013). Accordingly, by the 2000s, the three largest Dutch banks owned commercial developers and provided equity-loans to developers whereby the banks thus participated in development projects. In general, loan provision was relaxed enabling developers not only to work with high leverage ratios but also to expand through acquisitions and land purchases (abroad). However, as (project)loans had short durations corporate strategies focused on short-term profitability whereby pro-growth Dutch municipalities were willing to speed up planning processes and increase the profitability of development projects. As a consequence, the willingness of real estate actors to take up impatient capital in the form of both debt and equity from large, internationalizing Dutch banks tied the Dutch real estate market to developments on global financial markets (see Chapter 4). Hence, once global finance halted financialized capital stopped flowing around removing the crucial conditions to realise development projects resulting in many bankruptcies.

Belgian developers, in contrast, grew relatively steadily based on corporate strategies seeking to reproduce (often familial) investment capital in a stable manner. This form of patient capital put emphasis on non-financial considerations such as pride, identification and commitment and reputation (Lehrer and Celo, 2016; Colli, 2013), but it also relates to a longer term perspective on profitability putting stable dividend pay outs and risk management central. This enables strategies whereby land is bought cheaply, e.g., after a bust, and developed properties sold dearly during the next boom, but also practical considerations around costs: e.g., to save on costs many commercial developers house construction firms and have preferred partnerships. Partnerships are also common in larger development projects to share risks, but familial blockholders

Figure 5.1 Estimated activity commercial developers (left axis, index year 1997); Estimation for loans to developers (right axis, in billion Euro)

Sources: CBS (2015); Statistics Belgium (2015) are averse for obtaining high levels of debt to spur growth or to merge as both decrease their control over the firm's long-term strategy.

Chapter 4 discusses these different trajectories for the entire development sector. But, a more fine grained analysis is needed to grasp how different mixtures of impatient and patient capital made different strategies dominant within individual developers. This would be in particular helpful as comparative data at the level of the entire sector is of poor quality hindering to show in detail how financialization processes can or cannot take over a corporation's strategy. For doing so, the next section presents some further conceptualization of financialization processes and patient capital.

5.2.2 Patience of capital provision and the financialization of firms

Throughout this PhD thesis financialization is conceptualized as multi-layered and multi-scaled processes. At the level of the NFC in Chapter 4 financialization is defined, in line with (Orhangazi, 2008; Tomaskovic-Devey et al., 2015), as "a qualitative shift whereby the adoption of financial logics prioritizes a focus on short-term (financial) profit maximization over productive investments and long-term growth" (Chapter 4). The financialization literature predominantly focuses on the following interrelated mechanisms that cause this shift within a NFC's orientation: financial actors taking over through external capital provision (e.g., excessive debt production or by providing complex financial instruments) (Hardie and Howarth, 2013), entrepreneurs/corporations internalizing financial metrics, turning towards global capital markets (i.e., bonds), putting financial assets/instruments central or prioritizing capital value growth through leveraged growth and share buy-back programmes (Froud et al., 2006; Kaika and Ruggiero, 2016; Muellerleile, 2009; Krippner, 2005; Lapavitsas and Powell, 2013) or financial shareholders pushing for short-termism and financial alchemy (Aglietta, 2000; Allen and Pryke, 2013). Consequently, financialization processes are observable through the stretching/widening of a corporation's balance sheet implying that the greater the amount of financial assets and liabilities the greater the possibilities for financialization processes to occur (Andersson et al., 2014; Erturk et al., 2005).

In the past developers straightforwardly bought land/existing properties; created a plan; applied for re-zoning, finance and searched for tenants and after or during (re-)development sold the property to an investor (e.g., Ambrose and Colenutt, 1975). However, since the late 1980s developers can increasingly adopt, besides making use of all the financialization tools presented directly above, some financialization tools that are specific to real estate. Of particular importance are, first, revaluating land from a cost to capital value enabling debt production (Kaika and Ruggiero, 2016) and trading land as a financial asset (see Chapter 3). Second, the rise of Real Estate Investment Trusts (hereafter REITs, both for private and institutional investors, both listed and unlisted) transforming property investments into tradeable financial assets (Lizieri, 2009 Chapter 3). Third, the increased willingness of financial actors to accept land and real estate projects as reliable collateral for borrowing (Savini and Aalbers, 2016; Theurillat et al., 2016).

Therefore, to study commercial real estate developers, the process of financialization of a NFC is conceptualized as the adoption of a myriad of both regular and real estate related financialization tools. Full financialization is observed once the accumulation of financialization tools becomes so prominent that finance starts to dominate a corporate strategy, for instance through excessively leveraging risks. This conceptualization acknowledges that there could be waves of 'de' and 're' financialization but also that financialization relates to a continuum observable through the amount of financialization tools on a corporation's balance sheet. Both for researchers and corporate-leaders it is hard to observe the tipping point, i.e., the moment finance becomes dominant, but a rapid increase of financial assets and liabilities on a corporate balance sheet is a proper indicator. According to this line of reasoning it is possible that firms fed by patient capital adopt financialization tools without necessarily becoming financialized.

A number of recent contributions puts patient capital—both equity and debt provided by actors with a long-term perspective (Colli, 2013; Lehrer and Schmid, 2015; Chrisman et al., 2011)—central to the financialization debate (Deeg et al., 2016). It is claimed that patient capital protects firms "from obsessive concern with short-term market indicators" (Culpepper, 2005, p. 175) and therefore from financialization processes. In this line of reasoning financial capital providers can be put on a continuum of patience. However, Deeg and Hardie also acknowledge that for many NFCs the mixture of capital providers has become more diverse creating "a complex set of pressures on NFC management to pursue short- or long-term objectives" (Deeg and Hardie, 2016, p. 1478). Whereas Deeg and Hardie push for a broad, conceptual framework discussing the "potential influence of capital" this chapter tries to 1) unravel the mixture of various impatient and patient capital providers within two NFCs and 2) how these different mixtures make different strategies dominant within NFCs located in two different countries that, despite experiencing similar trends sought different solutions (i.e., de-financialization in the case of Immobel and financialization in the case of TCN). Before discussing these cases separately, the next section discusses the methods and data used in this chapter.

5.2.3 Methods

To better understand how a Dutch developer financialized and how a Belgian developer's patient capital prevented full financialization TCN and Immobel have been selected as "typical cases" (Gerring, 2007). The cases are typical as they reflect sector-wide dominant domestic trends and comparable in the way that they have experienced similar trends (discussed in Section 5.2.1).

Chapter 4 (Table 4.4) shows that the dominant types of developers between 2001—2014 were construction firms, developers owned by financial actors (primarily banks) and independent developers. TCN belongs to the last category and shares many characteristics with other large Dutch developers of commercial real estate in all categories (e.g., Multi, IMCA, BAM, MAB, Lips Capital, Eurocommerce, ING RED) such as independently operating CEO's, rapid (international) expansion, origination in the late 1980s/early 1990s, use of high loan-to-values and short-term project finance. Also, the dominant trend followed by Dutch developers (including residential) was that debt-driven growth and complex financial instruments became central while lacking financial risk management combined with a belief in continuously increasing real estate prices creating large financial problems once real estate markets crashed (Chapter 4). TCN differed from many other Dutch developers of commercial real estate as it had an open organization structure, diverse projects, and was one of the few Dutch promoters of a "evolution within the real estate industry towards maximum transparency" (TCN, 2006, p. 65). The latter is relevant as TCN's Annual Reports combined with bankruptcy reports (van der Schee and Westerhof, 2012), TCN's website (www.tcnpp.com), media reports and an interview with its former owner, Rudy Stroink, enabled to triangulate the data for the financial and geographical analyses presented in Section 5.4. This data is less accessible for other Dutch developers.

As will be argued below, with respect to ownership Immobel falls into the category of corporations and individuals usually fed by patient capital (Chapter 4; Table 4.3). These patient developers produce the largest part of new Belgian commercial real estate: primarily offices in Brussels (JLL, 2015). As such, Immobel shares many characteristics with other Belgian commercial developers as Atenor, Allfin, and BPI such as stable growth and diversification both in real estate segments and new markets, close ties with construction firms, powerful blockholders that actively push CEOs to follow long-term strategies that often include non-financial considerations, and hesitation towards risk taking (Chapter 4). In contrast with other Belgian developers the French blockholder Suez (1988—2007), an utilities and engineering conglomerate, also employed Immobel for more strategic goals such as obtaining a dominant position within the Belgian utility market. Immobel is the oldest listed Belgian firm and has been selected as there is a wealth of financial and geographical data available through its annual reports.

Around 2000, for both cases the conditions to adopt financialization tools are favorable. By then, Suez had just become full owner of Generale Maatschappij (Société Générale, hereafter GM) and thus the main blockholder in Immobel and decided to sell its full stake. Consequently, financialization tools could, according to the financialization literature, be extremely usefull to increase short-term shareholder's value enabling to sell Suez's share in Immobel at a higher price. Around 2000, TCN had gathered a substantial amount of properties and projects that it can leverage to re-inforce its original growth strategy aiming to increase corporate value to €1 billion and cash in through an Initial Public Offering. Consequently, the financial analyses start in

1999. Due to data availability, the geographical analyses take 2001 (Immobel) and 2003 (TCN) as starting point.

The aim is to investigate how different mixtures of capital providers influence corporate strategies (not) setting in motion (full) financialization. The main data to trace the strategies formulated in the corporations' annual reports exists of financial and geographical data that allows to show the corporation's financial and geographical footprint. This data, from TCN's and Immobel's annual reports, is enriched by reports especially from the financial newspapers and a couple of interviews with key actors[5].

The financial data presented in Figures 5.3 to 5.5 shows the net result, growth/decline and in particular debt levels of both corporations for the period under study. As both firms use comparable accounting techniques the data can be displayed in one figure and compared. Unfortunately, annual reports for TCN before 2002 are not available, however, the assets and liabilities were much lower (interview, media reports).

The maps presented in Figures 5.2, 5.6, 5.7 and 5.8 give a comparative overview of the international expansion of both corporations by displaying the size (i.e., the larger the circle the more (potential) square meters in a city) and type (i.e., pre-development, development, asset, sold property) of their projects. The earliest data for TCN is from 2003 and the latest from 2011, the year of its bankruptcy. As TCN did not give detailed overviews of its projects the maps are partly based on the bankruptcy reports, on information from TCN's website (www.tcnpp.com), and information from annual reports. Approximately 10% of the data is based on estimations and the maps give a good indication of the size and spatial distribution of TCN's projects. As the recent history of Immobel is too important to neglect it has been chosen to show a map with the most recent data, 2015. Also, as Immobel's annual reports cover detailed descriptions of all its projects this data is a pretty accurate representation of them.

After investigating the cases through the financial and geographical dimensions of their corporate histories, Section 5.5 analyses, based on a heuristic device proposed by Deeg and Hardie (2016), the degree of patience of the capital provision towards TCN and Immobel during the research period. Their approach is based on a set of three questions that should be posed ex ante, i.e., at the moment the decision to provide capital is made:

(1) Is the investment (loan) intended to be for a short or long period of time?

(2) Is the investor engaged with management in pursuit of short-term share price performance or creditworthiness?

(3) What is the likelihood of the long-term investor/ lender that does not engage in pursuit of short-term performance then exiting because of concerns regarding short-term performance? (Deeg and Hardie, 2016, pp. 631–632)

[5] As the annual reports are the main source of sections 5.4 and 5.5 there are only references made to these reports when a direct quote is used. The section on Immobel is also based on its 150 year jubilee book (Immobel, 2013)

If the answers on the first two questions are respectively long and yes the third question estimates the degree of patience. Estimating the likelihood on high, medium, unlikely or almost results into scores of respectively low, medium, high, or very high patience. Unfortunately, as Deeg and Hardie focus on explaining the behaviour of collective groups of capital providers they do not deliver clear guidelines on how to estimate this likelihood ex ante at the level of an individual firm. At most, the authors put forward that conscience loyalty, i.e., a capital provider that is aware of poor-short term performance and not restricted in retaining the capital provided but still remains loyal in line with its long-term goals, should be leading in this estimation. Deeg and Hardie also discuss a wide variety of different capital providers and their “potential- and propensity- for PC [patient capital] provision” (2016, p.637).

However, the approach of Deeg and Hardie is not designed for small, historical N-studies. In case studies there is much ex post, i.e., after the initial investment decision has been made, data available that helps to better estimate the patience of capital provision towards TCN and Immobel. In other words, more information is available to analyze the behaviour of capital providers over a longer period enabling a better estimation of their degree of patience. Therefore, Section 5.5 combines the heuristic device, i.e., the three questions above, with ex post data and Deeg and Hardie’s s typology of capital providers.

Also, Deeg and Hardie only offer an hypothesis on the “potential influence of capital” on corporate strategies, namely, the higher the degree of patience the more long-term and considered about non-financial aims the corporate strategy. To investigate this “potential influence” the subsequent two sections offer in-depth case studies on Immobel’s and TCN’s recent history to signal changes in their corporate strategies and the possible influence of the degree of patience of capital providers on these changes.

5.3 Immobel

Immobel, established in 1863, is the oldest listed Belgian corporation. In 1867 Generale Maatschappij (Société Générale, hereafter GM) became the main shareholder. GM was the royal investment corporation with close corporate and political connections and as an active investor in many Belgian corporations a crucial actor in the Belgian political economy (Oosterlynck, 2007; Cottenier et al., 1989; Wee and Verbreyt, 1997). After the Second World War Immobel became a key player facilitating the large-scale suburbanization of Belgium especially through active land banking, but, the core of its activities has been office development in Brussels. By the late 1980s GM still has a large portfolio of Belgian and international investments but has become a passive investor, and, after a highly political intervention the French energy-corporation Suez acquired almost 60% of its shares in 1988 and became full owner of GM in 1999 (Oosterlynck, 2007; Cottenier et al., 1989; Wee and Verbreyt, 1997).

In the 1990s GM/Suez's used its 30% stake in Immobel to strengthen its position on the Belgian utilities market especially as privileged partner of municipalities and inter-municipal organisations through development projects (De Tijd, 1994a). But, as the gap between development projects and investment properties and total assets in Figure 5.3 suggests, Immobel was at the start of this research period in 1999 more than a developer. In line with GM's role as investor, Immobel had been used as platform to invest in real estate whereby internationalization was sought to offer protection for downturns of the Brussels office market (De Tijd, 1994b). As a result, Immobel's financial balance sheet was extended including investment properties (e.g., partly owner of office buildings in Montreal and Berlin, see Figure 5.2) and financial assets that were used strategically. For instance, to wait on the right time to buy land for new projects. But, also to invest in real estate for instance through a large stake in the listed REIT Wereldhave and through creating the listed REIT Cibix to open up Immobel's investment portfolio for other investors. The latter can be seen as a, in the 1990s, rather innovative 'financialization of real estate tool' as it opens up commercial real estate investing for individual households (Lizieri, 2009; cf. Gotham, 2006). In other words, although steered by patient capital (i.e., Suez, see Section 5.5) Immobel was at the forefront of financial innovation and real estate. Also, Immobel owned a couple of medium-sized construction firms that were especially interesting for Suez as a bridge towards its engineering/service activities. At the liabilities side Immobel used considerable layers of debt including more complex products. As such, although its shareholder's equity remained stable the stretched balance sheet created high finance costs and unstable dividend pay outs (that stopped between 1995-1997).

Shortly after Suez had become full owner of GM it decided that Immobel's expanded real estate activities were not part of Suez's core business anymore. However, with an unfavourable climate on the stock exchange and Immobel being a small entity within Suez's conglomerate it "waited for the best opportunity to sell" (Delicour in De Tijd, 2007, p. 0). However, with high finance costs and an unclear corporate profile Suez developed with investment bank Petercam a new long-term strategy in 2001: to reduce debt and sell participations in other (construction)firms, investment properties and REITs enabling to solely concentrate on "the core business of real estate development" (Immobel, 2002, p. 4). Accordingly, as Figure 5.2 illustrates, already in 2001 many assets/completed projects in Brussels were sold and new projects (i.e., pre-developments/developments) were predominantly concentrated in Brussels (149.000 m2), but, also in Liege (22.000 m2), Luxembourg (11.500 m2), Charleroi (6.000 m2) and Mons (5.000 m2). Selling assets indeed decreased investment properties from 22% (average 1992—2000) to 13% (average 2001—2007) and development projects increased from 40% to 52%, and liabilities were reduced strongly while shareholder's equity remained stable (see Figure 5.4).

Booming real estate investors markets combined with this reduction of the balance sheet through selling financial assets and debt-reduction created the highest net result in this period (Figure 5.5). But, Suez's stake in Immobel is marginal

Figure 5.2 Activities of Immobel in 2001, year end

Source: Annual Report Immobel 2001; maps produced by Egbert van der Zee

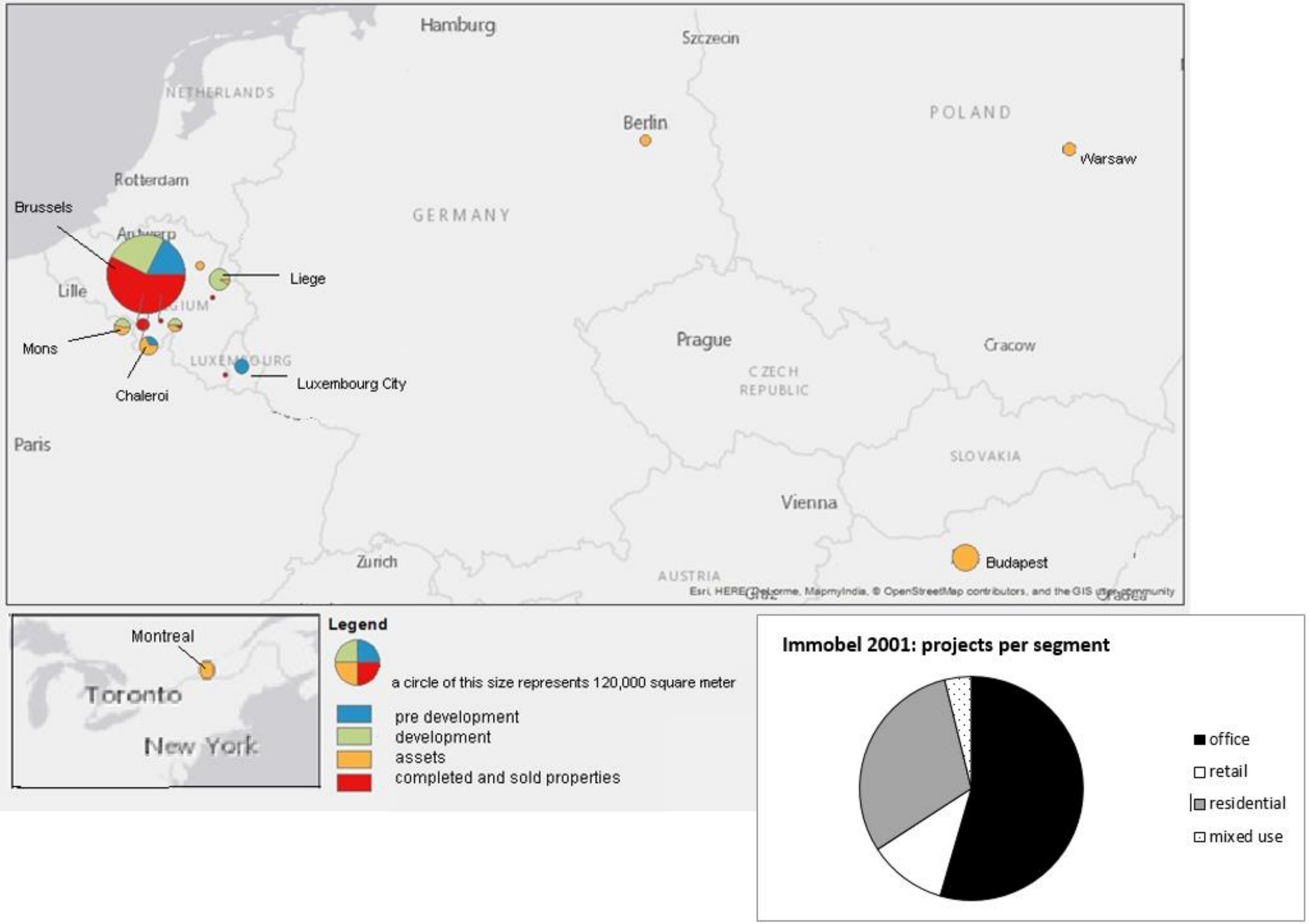
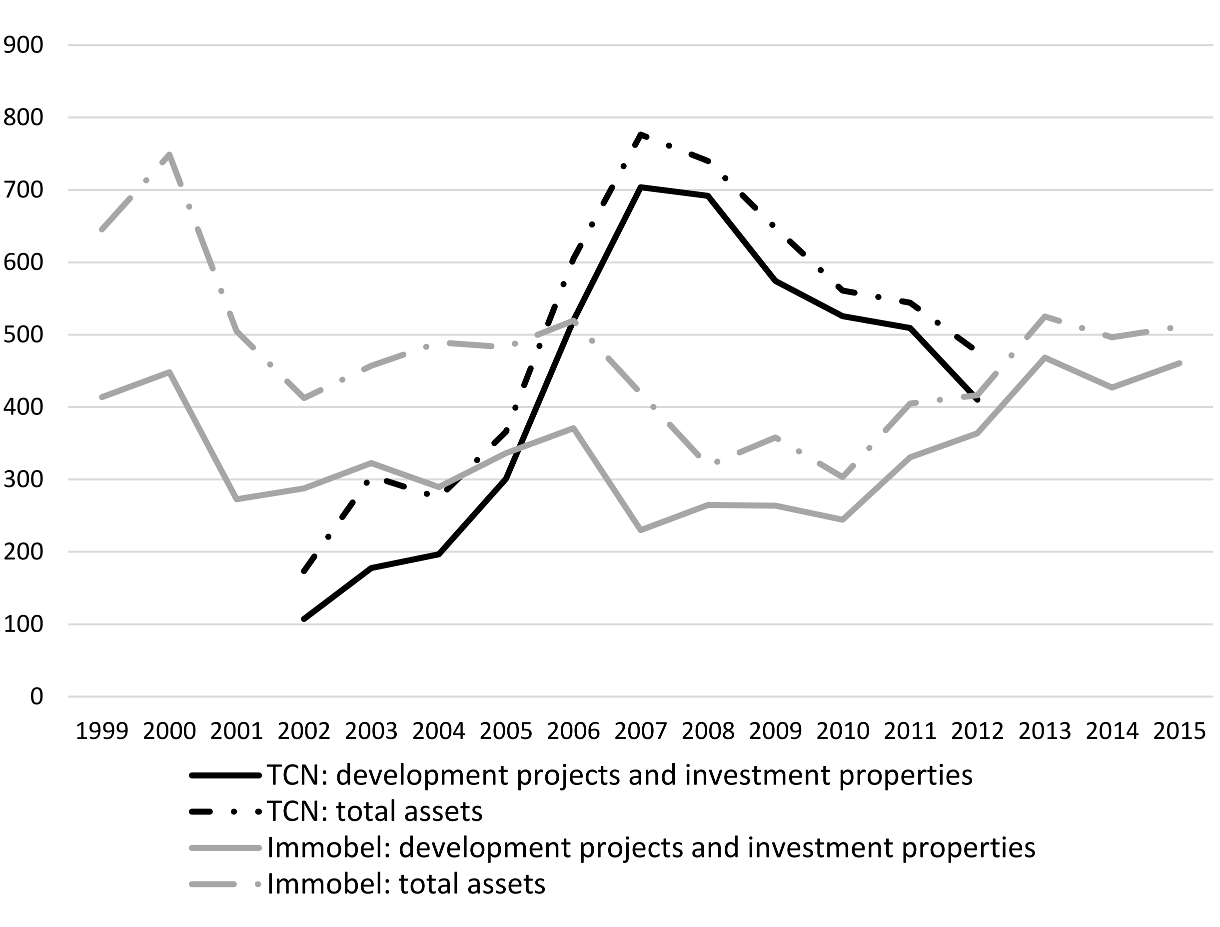


Figure 5.3 Important and total assets of TCN and Immobel (in mln Euro)

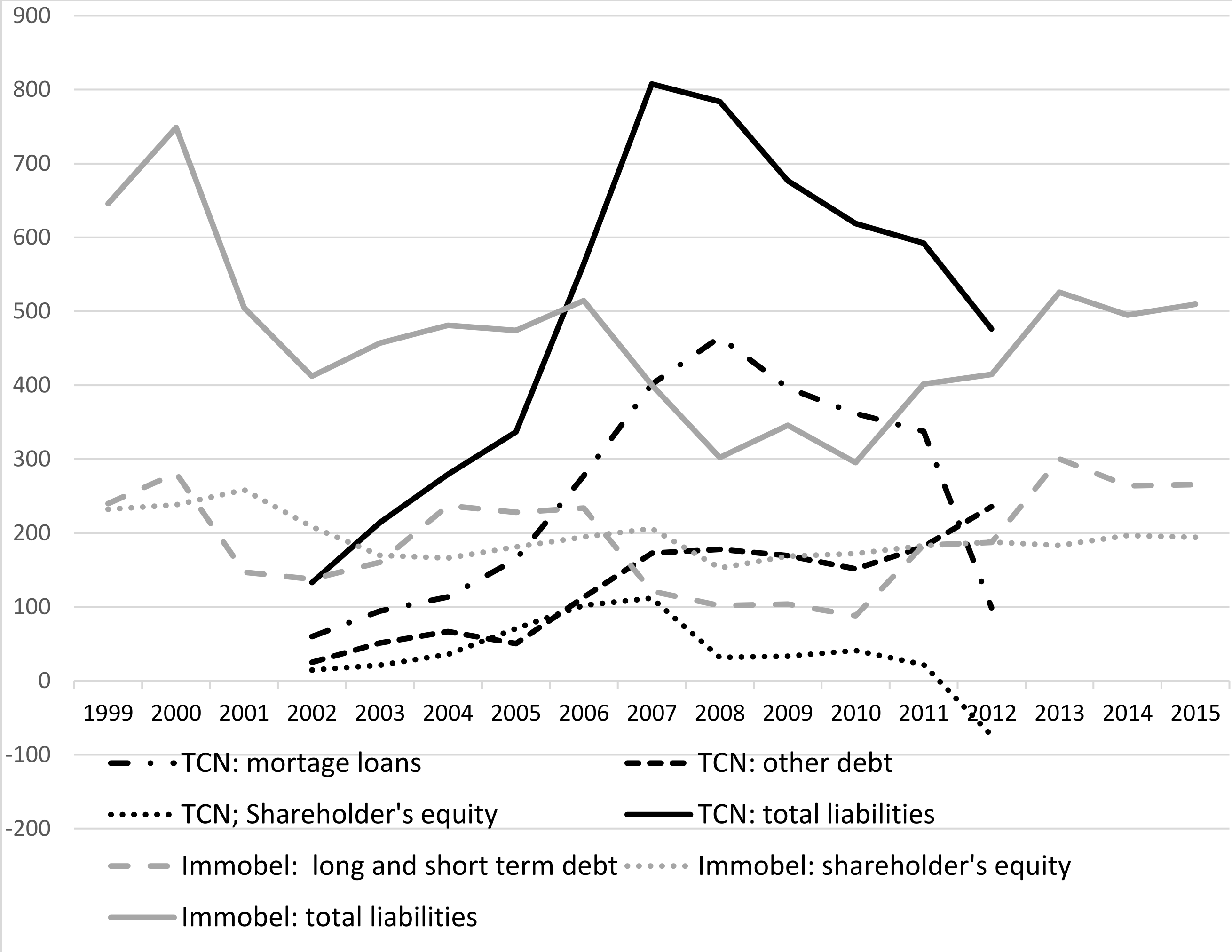


Sources: Annual Reports TCN and Immobel

compared to Suez's other activities (i.e., €47.8 million versus a profit of €3.6 billion) and a lawsuit announced in 2007 in which Immobel's CEO Jean Thomas is accused of fraud stimulates Suez to sell its shares directly and for a relatively low price (De Tijd, 2007).

In 2007 JER Partners, a British real estate investment manager, added the 30% stake in Immobel to its new JER Europe Fund III that contained €809 million in European real estate investments replacing almost the entire board (De Tijd, 2008). Suez's strategy concentrating on real estate development was further specified namely by focusing on larger, " 'flagship' office and residential development-projects in Belgium and Luxembourg, usually in partnership" (Immobel, 2010, p. 2). Moreover, debt and also management-costs were further reduced (see Figure 5.4 Luysterman, 2010). Also, the considerable residential land-banking activities—the legacy of Immobel's leading role in Belgian suburbanization—were maintained as they provided a stable cash flow. This allowed to cover costs as income generated through office development was more volatile as it depended upon the lease and sale of several large properties (De Rijcke, 2009). The small gap between the grey dotted and straight line on Figure 5.3 illustrates that from 2008 onwards development activities became the main core activity of Immobel. Moreover, the diverse development-portfolio is used to

Figure 5.4 Various liabilities and total liabilities of TCN and Immobel (in mln Euro)



Sources: Annual Reports TCN and Immobel

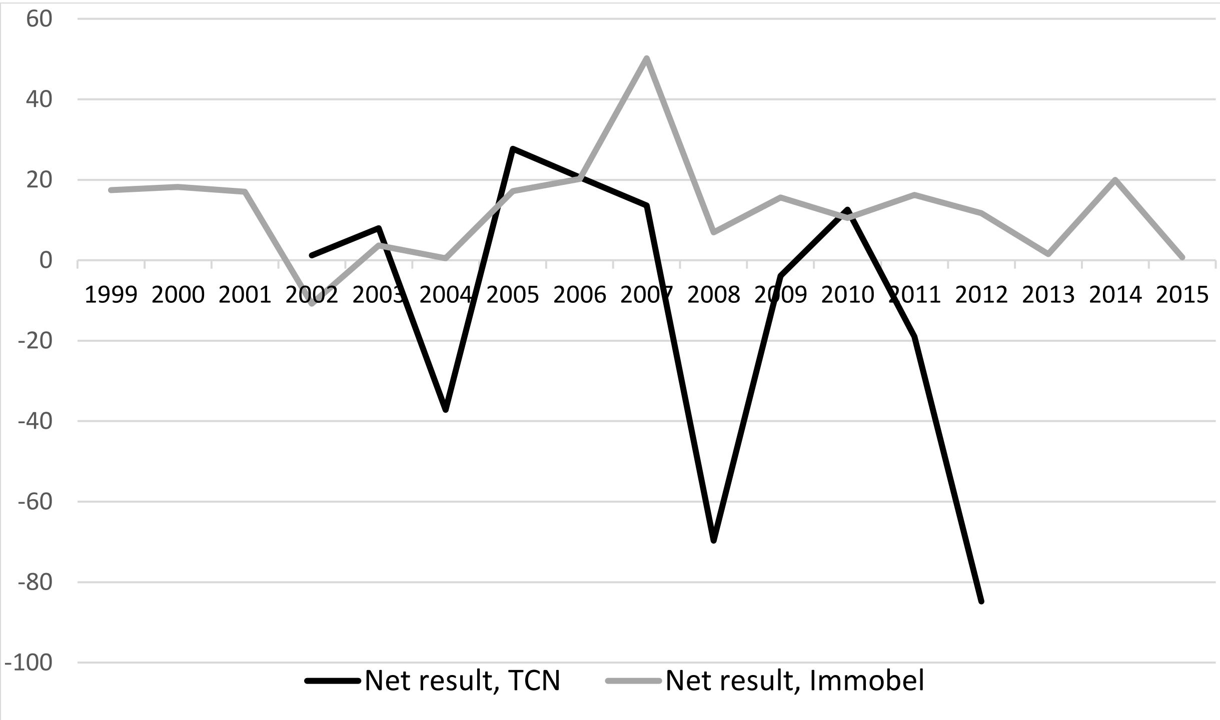
analyse “new opportunities without haste and maintaining rigorous investment criteria” (Immobel, 2010, p. 3). However, through a strong increase in its share price Immobel has been one of the few successful investments of JER Partners: losses on other, often highly leveraged real estate investments, forced them after the credit crunch to sell their stake in Immobel (Luysterman, 2010b).

In 2010, Eastbridge, the investment corporation of the Belgian/Israeli family Bruckner that has a portfolio containing a wide range of activities including considerable activities on East European real estate markets, became Immobel’s new blockholder through buying 25% of the shares directly from JER Partners and the possibility to buy another 4,9% late 2013 through a put and call option (Eastbridge, 2016; JER Partners, 2010). Eastbridge immediately made Poland the second key market for Immobel. Polish cities were seen as attractive because there was a shortage in high quality office space and residential towers and there were also other Belgian real estate corporations present smoothening cooperation in larger projects. To finance this expansion bond programmes were set up in 2011 and 2013 and Immobel bought two large Polish development-projects for €100 million from Eastbridge itself

(Luysterman, 2011). Consequently, and as Figures 5.3 and 5.4 suggest, this growth strategy spurred the development activities of Immobel but was facilitated by strongly increasing debt levels.

When the paterfamilias, Ronny Bruckner, unexpectedly died the Bruckner family decided to sell its position in Immobel. After five months of tough negotiations the family opted for Marnix Galle, the owner of Allfin, that had become an important competitor but was unsuccessful in international expansion (cf. van Loon, 2017). In 2016 Allfin became the majority shareholder though buying another 29% of the shares merging Allfin and Immobel into the largest Belgian real estate developer. Among other things, this merger creates more diversification as Allfin adds many residential projects and further reduces debt as Allfin has very low debt levels (KBC Securities, 2016). As Galle is in strong favour of family businesses implementing similar aims as enduring relationships with employers and hopes that one of his children will replace him in the future it could be that Allfin/Immobel has opened a new phase in the rich history of familial Belgian developers (van Loon, 2017; Brockmans, 2012; Luysterman, 2014).

Figure 5.5 Net result Immobel and TCN (in mln Euro)



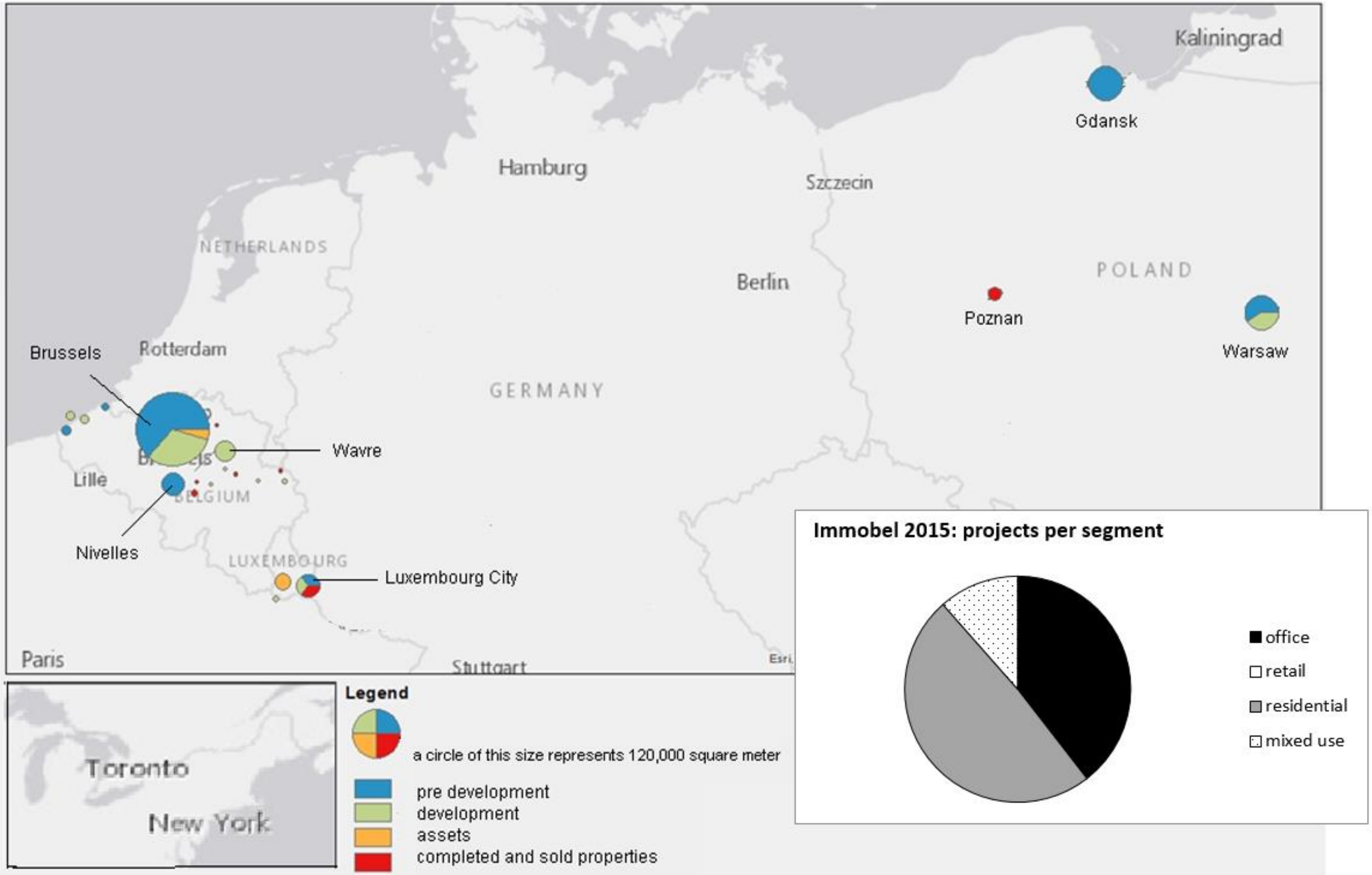
Sources: Annual Reports TCN and Immobel

As Galle primarily bought Immobel to grow and diversify (to Luxembourg and Poland) Immobel's main strategy of being a leading developer in large, complex urban projects while managing risks responsibly did not change (see Figure 5.6).

In conclusion, despite different blockholders, the main strategy developed in 2001 has only received minor adjustments through new geographical foci. Nonetheless, comparing Figure 5.5 with Figure 5.1 points out that Immobel's results

Figure 5.6 Activities of Immobel in 2015, year end

Source: Annual Report Immobel 2015; maps produced by Egbert van der Zee



remained still very much in line with activity on the Brussels office market. And, as Section 5.5 will show, through the reduction of financialization tools Immobel's balance sheet has become much smaller.

5.4 TCN

> A real estate corporation is like a shark, if you don't move you lack oxygen so you got to get new projects. (Gualtherie van Weezel, 2012)

This section illustrates how TCN adopted from its start in 1994 an opportunistic strategy that was aimed at creating high shareholder value through debt driven growth. In the 1980s Rudy Stroink worked as a real estate developer with Oas Investors in Los Angeles. In 1994 he started the real estate developer TCN together with the Crow family from Dallas that functioned as a proto-type of angel investor sharing their expertise and networks aiming to conquer the Dutch real estate market through American practices. The main strategy was straightforward: reinvest profits instead of paying out dividends to create a corporate value of €1 billion and monetize through an Initial Public Offering. A crucial tactic for doing so was to focus on (re-)developing existing properties and retain 80% ownership of completed developments to show commitment and profit from rising property prices. This also enabled to offer additional services to tenants such as cleaning, catering, events, parking and security. Some of these services were loss generating. But, the stable cash-flow these services and rental income provided combined with the collateral potential created an attractive proposition for banks enabling TCN to borrow at favourable conditions. Especially from 1998 onwards TCN expanded rapidly with innovative real estate projects such as trade marts and convention centres.

Rudy Stroink had a good sense for opportunities that arose around privatisations during the 1990s and state agencies that started to act more entrepreneurially adopting a bright perspective on the future:

> Everybody created new plans for large real estate projects, but, nobody calculated the demand for all these square meters …, but, once you made that calculation it was clear, it could not happen, it could not happen everywhere. (Interview)

Stroink found many ways to profit from over-optimism and entrepreneurial (semi)state agencies. Explanatory, and determining TCN's future, was the purchase of the large (re-)development project Media Park in Hilversum from the semi-public Dutch Broadcasting Company (*NOB, Nederlands Omroepproduktie Bedrijf*) that was in financial difficulties in 2002. TCN convinced NOB through proposing to offer many additional services to the tenants and by presenting a more realistic estimation for future property developments. TCN paid €110 million while existing tenants already produced a cash flow of €12 million annually (FD, 2003). TCN now had sizeable assets to leverage and—as an expanding organization with 169 employers—implemented an organizational structure in which managers operated in great autonomy and were remunerated partly in TCN-shares (Tegenlicht, 2009). The developer formulated a "growth strategy to acquire and reposition large projects formerly owned by public agencies" (TCN, 2004, p. 3) resulting in the purchase of Kema Business Park in Arnhem from a state energy firm (€100 million in 2004), and offices/business parks from the municipality of Groningen (€114 million in 2005).

With these acquisitions and the trade mart activities Figure 5.7 suggests that TCN's portfolio started to cover extensive parts of the Netherlands and expanded strongly between 2002 and 2007 (see Figure 5.4). Crucial to finance this growth was getting debt—especially mortgages (Figure 5.4)—that increased from €97 million in 2002 to €518 million in 2007. Figures 5.7 and 5.8 illustrate TCN's expansion both geographically, but, also through a diversification of projects. The category "other" (Figure 5.8) included in 2011 projects in education, residential care, data hotels etc. When the Crow family decided that the corporate strategy of TCN had become too risky the new blockholder, NPM (part of the familial holding of van Vlissingen), raised the bar aiming to grow towards a project-portfolio of €5 billion in five years in particular through international expansion: business-to-business trade malls/conference centres in Germany and Austria, retail-malls in Spain and Portugal, and in the United Kingdom through the acquisition of the developer Express Park. Accordingly, TCN's strategy became increasingly riskier.

Figures 5.7 and 5.8 also visualize the core of TCN's strategy: projects were only partly sold and therefore many projects launched in 2003 are by 2011 still on TCN's balance sheet now often as completed properties: between 2002 and 2012 TCN only sold about 30% of all completed projects. Important assets, such as Mediapark in Hilversum and trade marts through the country were even extended explaining their rise in (potential) square meters between 2003 and 2011.

Nevertheless TCN's strategy was fragile as the net result from the €700 million of real estate (development) projects delivered in 2007 a net result of only €13.6 million (see Figures 5.3 and 5.5): as "all my money went to the services we offered and the interest and debt repayments" (Interview). Therefore, it remained crucial to sell 20% of every developed property making TCN's financial health very dependent on increasing real estate prices. Although, there was some diversification in real estate segments and countries, from 2008 in the most important countries values started to decrease in all segments. Moreover, not only did Dutch banks (especially TCN's main financier, SNS Property Finance) experience heavy losses and stopped (re-)financing commercial real estate projects and loans. But, also activity on real estate investment markets halted. Consequently, projects stagnated and TCN's pipeline is devalued with €600 million to €1.3 billion in 2008. But, also disinvestments halved to 10% requiring "the shift from value creation, which has been the main focus of TCN over the last 15 years, to the protection and the sustainability of the projects in portfolio and intensifying the relationship with our customers" (TCN, 2009, p. 4). But, also through reducing costs through firing employees.

Nonetheless, TCN experienced major losses in 2008 and 2009 (Figure 5.5) making it impossible to repay its full obligations to creditors of outstanding debt of €473 million (Figure 5.4) by 2010. Moreover, due to the collapse of real estate prices, the collateral for this debt, i.e., the book value of properties and development projects, had become lower than the outstanding loans. As the major creditors hesitated to become owners of (undeveloped) commercial real estate an agreement was made whereby repayments on loans were halted until April 2013 creating time to solve TCN's problems. Confident with this solution Rudy Stroink stepped down as CEO but retained his roughly half of the shares.

In November 2012 a private real estate fund won a law suit against TCN's Brandboxx entity in Almere. Brandboxx had to pay a tenant-guarantee of a couple of million euro, but was unable to do so resulting into a bankruptcy. As Brandboxx was closely interwoven with other entities of TCN this caused the bankruptcy of 45 other entities within three months including the bankruptcy of TCN's mother firm, TCN UROP. This was the largest bankruptcy of a Dutch developer ever and about €70 million of the outstanding debt will probably never be repaid. The mother firm (SNS bank) of the largest creditor, SNS Property Finance with €186 million, was nationalized in 2013 as the result of bad-performing loans to developers. And, in 2016 the state sold SNS' loan/property portfolio to Lone Star.

In conclusion, as other capital providers did not temper the growth ambitions of TCN's founder and major shareholder Rudy Stroink, fuelling his growth ambitions started to demand the continuous influx of new impatient capital in the form of debt and increasing real estate prices to pay back this debt. Basically, this business model relied on "speculative finance" in which "the income of the debtor is large enough to meet the interest but not the principle payments" (Minsky, 1991, p. 14). After 2007, when decreasing real estate prices hit TCN's income, the model evolved into "Ponzi finance" whereby "not enough is earned to meet the interest due on debts" (Minsky, 1991, p. 14). Consequently, TCN's results displayed in Figure 5.5 became very volatile and its bankruptcy contributed to the massive real estate problems of Dutch banks.

5.5 The patience of Immobel's and TCN's capital providers

Based on the approach of Deeg and Hardie discussed in Section 5.2.3, Table 5.1 provides an indication for the degree of patience for both equity and debt providers of Immobel and TCN. Table 5.1 shows that the blockholders in both corporations should be categorized as primarily patient. However, while Immobel was fed by patient debt provided by relationship banks TCN relied on impatient debt providers including American Private Equity. Capital provision to both firms is discussed in more detail below.

Immobel, equity: in the research period 47—65% of Immobel's internal capital consisted of free-float shares, less than 5% was owned by various minority shareholders (investment funds of Fidea, Capfi Delen and KBC), and between 1991 and 2005 10—15% of the shares was held by the family holding Group de Waele.

Figure 5.7 Activities of TCN 2003, year end

Sources: Annual Report TCN 2003; company website; custodian reports (2012-2015) ; maps produced by Egbert van der Zee

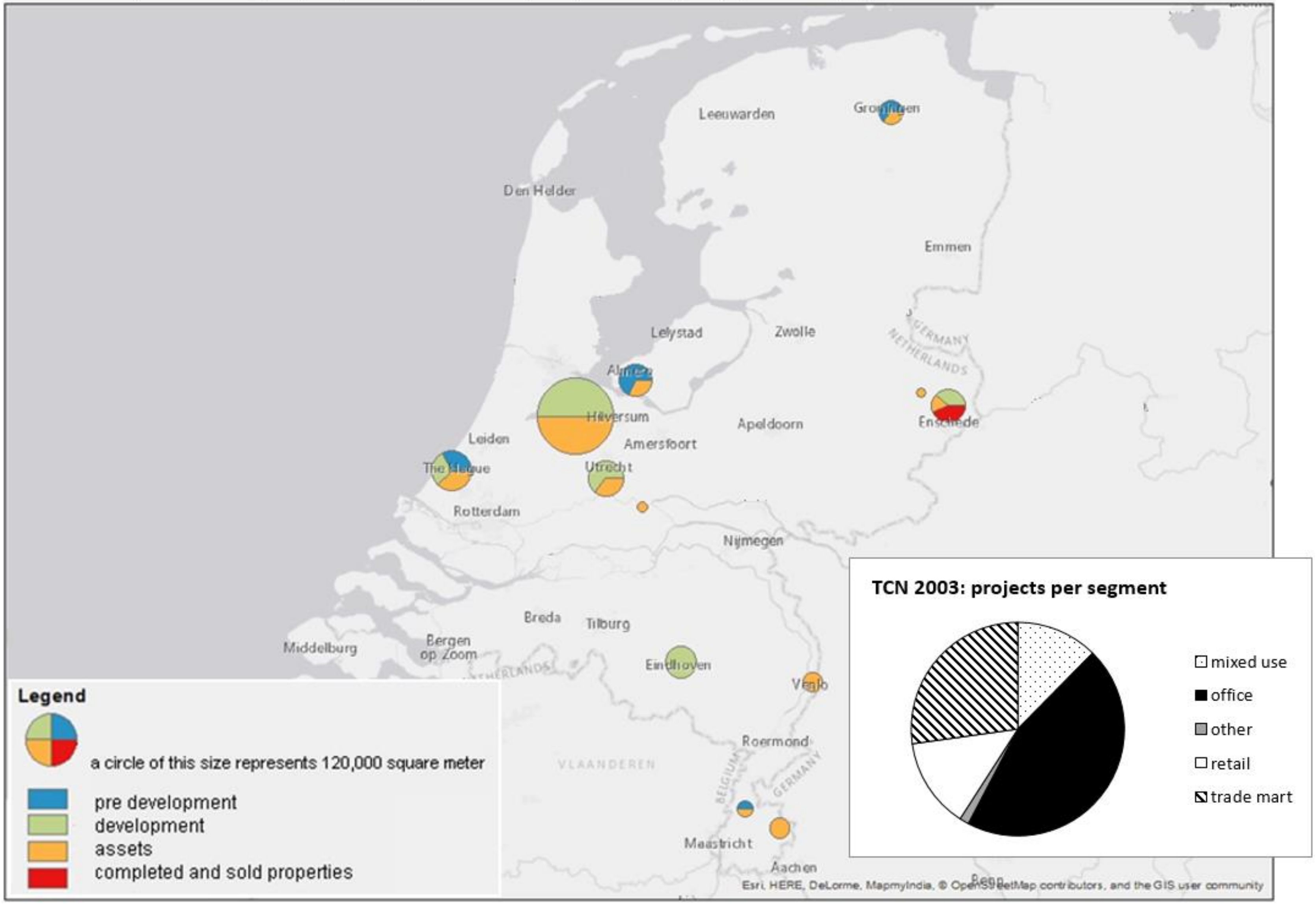
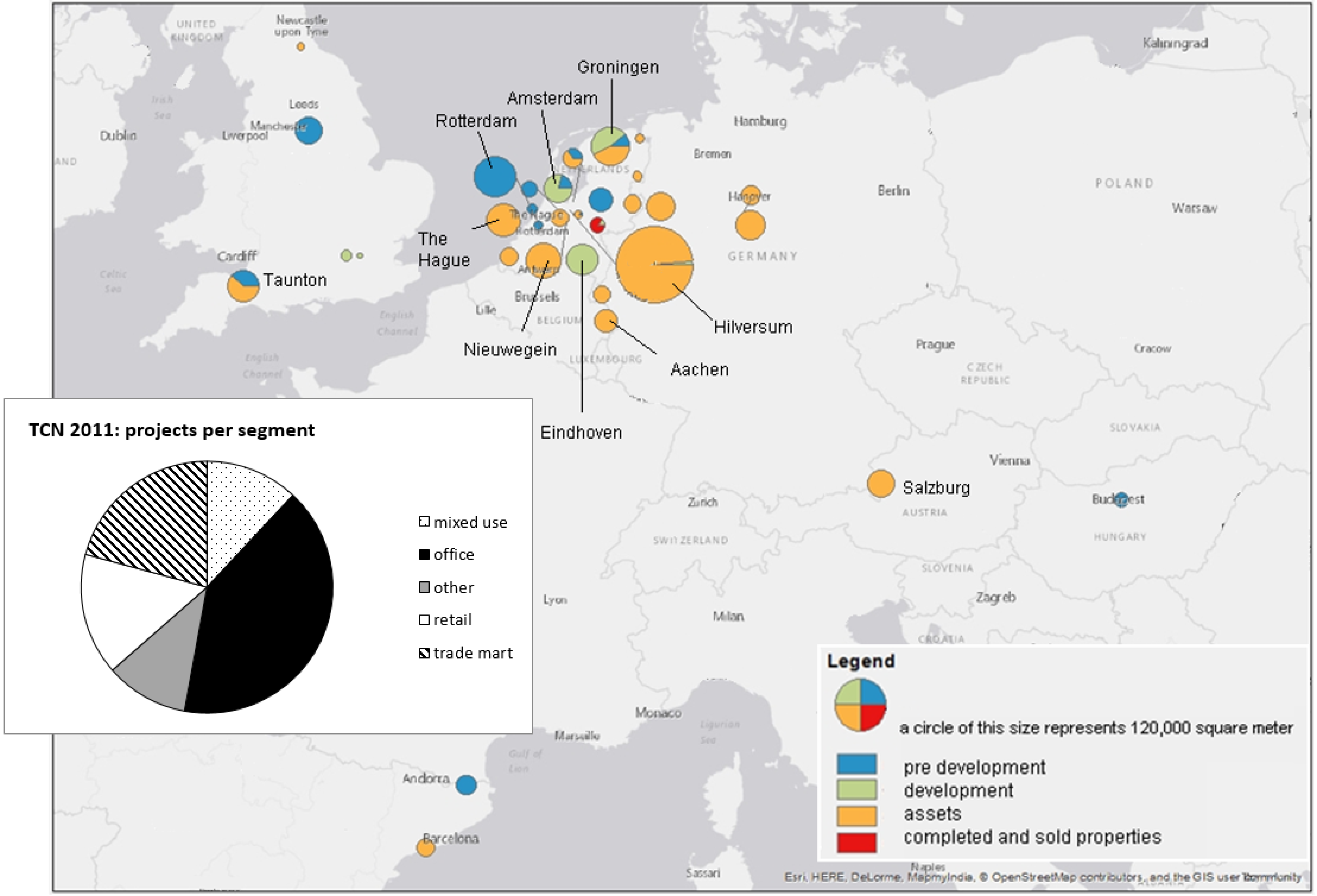


Figure 5.8 Activities of TCN 2011, year end

Sources: Annual Reports TCN 2004-2011; company website; custodian reports (2012-2015); maps produced by Egbert van der Zee



Crucially, (except in 2016) roughly 30% of the shares in Immobel was owned by concessive blockholders: Suez; JER Europe III; Eastbridge; Allfin/Marnix Galle. Section 5.3 shows that as these blockholders delivered the key board members and their decisions were not successfully contested, these blockholders were the primary actors deciding on Immobel's long-term strategy. As summarized in Table 5.1 all blockholders intended to hold their stake in Immobel for a "multiyear" period (question 1 discussed in section 5.2.3) (Deeg and Hardie, 2016). Also, all blockholders were actively engaged through delivering important actors for the board of directors/CEO whereby Suez, Group de Waele and Galle did not prioritize short-term objectives making their level of patience (very) high (questions 2 and 3 discussed in section 5.2.3).

For both JER and Eastbridge the degree of patience is more difficult to estimate. According to Deeg and Hardie's (2016, p. 9) continuum of investor patience JER, as an active fund, should be between low and medium patience and Eastbridge between high and very high patience. The three questions help to make the more specific estimation presented in Table 5.1. For both capital providers the main purpose of buying the 30% stock—that was in itself a long, time-consuming procedure as it required negotiations with the former blockholder—was a long-term goal (1) (see Table 5.1). Whereas JER did push for measurements to increase short-term performance, especially through cost-reduction by lowering management costs and policies to increase dividend pay outs, Eastbridge mostly pushed for measurements to expand in Eastern Europe real estate markets such as a bond programme financing this growth (2). Also, JER EU Fund III and Eastbridge exited relatively rapidly. However, their main reason related to external events instead of concerns about short-term performance (3): respectively the need for cash to compensate for loss generating investments elsewhere and the unexpected death of the paterfamilias.

Immobel, debt: as shown on Figure 5.4, at the firm level Immobel has, in particular in comparison with TCN, relatively low levels of debt (striped grey line) and high levels of shareholder's equity (dotted grey line). In its annual reports Immobel does not specify from which credit institutions it obtains financial debt. The header "financial services" that most likely includes credit provision shows that during the entire research period, KBC Bank, Banque Degroof, BNP Paribas Fortis and ING Belgique are the main financial service providers suggesting enduring relationships between credit providers and Immobel. This endurance is shown by the fact that, despite two real estate crises causing low net results, Immobel was able to obtain continuous new credit (2). This seems to be in line with the proto-type of relational banking whereby banks don't base their decision solely on short term performance and creditworthiness (3).

Compared to the credit provided by financial institutions that has a maturation of on average roughly two years, Immobel's three bond programs have a duration of five or six years and are held to maturity. As such, these medium-term bonds "differ

Table 5.1 The degree of patience of the main equity and debt providers

debt providers			
period	**debt providers**	**patient capital**	
Immobel, 1999-2006	KBC; Degroof; Fortis; ING (100%)	*high*	
Immobel, 2007-2009	KBC; Degroof; Fortis; ING (100%)	*high*	
Immobel, 2010-2013	KBC; Degroof; BNP Paribas Fortis; ING(60%); long-term bonds (40%)	*high; high*	
Immobel, 2014-now	KBC; Degroof; BNP ParibasFortis; ING (50%); long-term bonds (50%)	*high; high*	
TCN, 1994-2005	Dutch banks; American PE	low	
TCN, 2005-2012	Dutch banks; American PE	low	
equity-providers			
period	**block-holders**	**patient capital**	**reason to invest**
Immobel, 1999-2006	Suez (30%); de Wael (10-15%)	high; high	to dominate Belgian utilities market/part of investment portfolio; merger of developers
Immobel, 2007-2009	JER EU III (30%)	medium	creating diverse European real estate investment portfolio of 809 million
Immobel, 2010-2013	Eastbridge (25-30%)	high	expanding a large, diverse familial investment portfolio that included real estate activities in Eastern Europe
Immobel, 2014-present	Galle (30%, 58,8% since 2016)	very high	to grow 'multi-generational wealth'
TCN, 1994-2004	Stroink (50-65%); Crow (25-50%)	high/very high	prospect of high future shareholdervalue; introduce American RED in NL/expanding a large familial real estate activities portfolio
TCN, 2005-2012	Stroink (55%)	high	prospect of high shareholdervalue in nearby future; expanding a large, diverse familial investment portfolio

little from a long-term bank loan kept on the bank's books" (Deeg and Hardie, 2016, p. 1481) and are therefore looked at as patient capital.

TCN, equity: in the entire research period one of the originators of TCN, Rudy Stroink, held 50—65% of the shares. Until 2004 also the other originator, the Crow Family from Texas, held 25—50% of the shares. During the 1990s, managers who gradually received shares in TCN as part of their remuneration became a minority shareholder with approximately 20% of the shares during the 2000s. An investment entity of the Vlissingen family became another minority shareholder in 2004 (21%). As section 5.4 demonstrates whereas the Crow Family had considerable influence during the 1990s the latter two minority shareholders had no impact on TCN's corporate strategy during the 2000s.

In 1994 the Crow Family and Stroink shared the goal of bringing American development practices towards the Netherlands including the rapid increase of corporate value to €1 billion to be able to cash out through an Initial Public Offering. From the start, the investors knew that in real estate development this takes time, but, as Section 5.4 illustrates, they used all instruments available to speed up the process. Therefore, taking into account the particularities of the real estate development sector with the long duration of projects, it is difficult to label the intended investment term as long (1) in particular as both capital providers prioritize short-term shareholders' value increase (2). Nonetheless, Section 5.4 makes clear that when in 2003 short-term performance was not in line with the expectations the Crow Family raised voice to stimulate the adoption of a more long-term, less risky approach. The main shareholder, Stroink, ignored this and Crow sold its stake suggesting a high commitment to long-term goals/high level of patience (3). Also, despite valuating "the potential market value" (TCN, 2007, p. 15) of TCN on €2.3 billion, Stroink himself never prepared an Initial Public Offering. Moreover, there is no evidence that Stroink attempted to sell his stake in 2003 and 2007-2009 when short-term performance was poor. This indicates that he was also focused on long-term performance (2,3). In conclusion, the observed behaviour of the Crow Family and Stroink indicate a considerable level of patience (see Table 5.1).

TCN, debt: TCN's annual reports do not identify its debtors. Additional data (interview, media-reports, website) indicate that for new projects TCN mostly used equity-loans in which—primarily the main Dutch banks and various Anglo-American private equity firms—both financed a project (usually against a high loan-to-value) and got equity into the project. After completion these loans were usually transferred into a mortgage of relative short duration. As such, TCN had a continuous changing group of debt-providers and for every new project TCN's creditworthiness was evaluated (2). As such, and as shown from 2008 to 2010, a negative perspective on TCN's creditworthiness (i.e., a perceived poor short-term performance) would mean that this group of debt providers collectively would stop extracting new loans making them thus impatient capital providers (3).

As shown on Figure 5.4, at the firm level TCN's shareholders' equity (dotted black line) has been a small element of the total liabilities (straight black line); financialized capital provided (striped black lines) by impatient banks and Anglo-American private equity investors have been crucial in facilitating TCN's rapid growth. As such, once real estate markets went down these impatient capital providers became crucial in deciding over TCN's future.

5.6 Discussion and Conclusion

Table 5.2 summarizes the main findings discussed in the empirical sections above. In both cases the equity providers were during the research period predominantly patient. In the case of Immobel, patient block holders had much power in the executive board: they controlled Immobel's corporate strategy. Until 2001, operating as one of the many entities of Generale Maatschappij/Suez, this strategy was broad including functioning as investment platform and medium to improve relationships with local governments. As a result, the financial balance sheet included many financial assets and liabilities that are not directly needed for the regular production process (i.e., real estate development) listed under financliazation tools in Table 5.2. So, during the 1990s Immobel was a NFC in which patient capital was dominant but that still adopted financialization (of real estate) tools and financial innovation. In 2001, briefly after Suez fully took over GM it decided to sell Immobel. Whereas the financialization literature would predict the adoption of more financialization tools to increase short-term shareholders value Suez decided to reduce the balance sheet (i.e., de-financialization) and re-focus on complex real estate development projects using both a sophisticated risk management system and Immobel's reputation. While since 2007 concessive blockholders made adjustments to the geographical focus, the core of this strategy remained in place. Consequently, Immobel's financial balance sheet was reduced considerably. Hence, the case of Immobel shows how patient capital works as a barrier to the accumulation of financialization tools in a way that finance does not become dominant within a corporate strategy.

Financed through impatient external capital-providers and with a main equity-providers, Rudy Stroink, that is harder to see as 'patient' TCN still developed a long-term strategy that was only changed in 2008 during a severe real estate crisis. The core of this strategy existed of rapid shareholder value creation whereby TCN adopted a wide range of financialization tools (see Table 5.2). These tools, combined with a bright perspective on the future, strong entrepreneurial ambitions, and debt providers that did not pose much restrictions on the use of their capital indeed enabled rapid domestic and international growth and the creation of a diverse real estate portfolio. But, except the Crow family, all actors involved neglected the risks related to such an opportunistic corporate strategy in which the CEO and higher management have much freedom to operate. TCN illustrates the financialization of a NFC in the sense that entrepreneurial ambitions were fuelled through external capital not posing critical questions. In other words, a visionary or short sighted (?) entrepreneur surfing the waves of abundant capital. Consequently, the downturn on real estate and financial markets from 2008 onwards made clear that the accumulation of a myriad of financialization tools had made finance dominant within TCN.

As such, the case of Immobel shows, in line with Chapter 4 that patient capital not necessarily excludes the use of more complex financial instruments. These instruments were especially prevalent in the period under GM/Suez (1990s), but also between 2010—2013 when the Bruckner family financed expansion in Poland through

Table 5.2 Corporate strategies and adoption of financialization tools.

period	corporate strategy	PC-provision equity	debt	observed financialization tools
Immobel, 1999/2000	diversification: internationalisation, developing, investing and constructing	high	high	financial assets (i.e., REITs, shares); high debt-levels; some complex debt products; unstable dividend pay outs
Immobel, 2001-2006	development of complex urban real estate projects in Belgium	high	high	decrease: debt reduction; sell of financial assets
Immobel, 2007-2009	…. in Belgium and Luxembourg	medium	high	further decrease: educe debt; sell of financial assets
Immobel, 2010-2013	…. in Belgium and Poland	high	high	incrase: bonds (2011; 2013) for for foreign expansion
Immobel, 2014-now	…. in Belgium, Luxembourg and Poland	high	high	decrease: Allfin's low debt further decreases Immobel's debt level
TCN, 1994-2005	value creation through rapid growth and then IPO	high	low	leveraging assets ; projects financed with high LTVs and equity-loans; leveraged take-overs of (foreign) developers
TCN, 2005-2012	change in '08: protect portfolio, intensify relation with customizers	high	low	leveraging assets ; projects financed with high LTVs and equity-loans; leveraged take-overs of (foreign) developers

bond programmes. However, in contrast with TCN, financialization tools never became dominant in such a way that *finance* (i.e., financial actors, markets practices, measurements and/or narratives (cf. Aalbers, 2017a) became dominant within the corporate strategy. Put differently, although TCN and Immobel experienced similar waves of over-building, building cycles, economic downturns and internationalisation of both investors and clients, TCN fully financialized during the 2000s while Immobel successfully adopted a strategy of de-financialization. The case of Immobel further exemplifies how patient capital forms a protective layer towards financialization processes, and, how even in the 2000s new familial holdings originate (i.e., Marnix Galle). In this regard, patient capital was anchored within Immobel by the governance power of a blockholder as, with a 30% stake, the blockholder can control crucial positions within a corporation thereby being much more powerful than the other shareholders.

Another crucial difference between the corporations is that TCN solely focused on shareholder's value increase while for Immobel a stable dividend pay-out was the primary goal. In line with the findings from Chapter 4 the business strategy of TCN became much more focused on fictitious capital value creation whereas the focus of Immobel was on the regular production process, i.e., real estate development. Moreover, TCN's widely stretched financial balance sheet amplified developments within real estate markets magnificently and closely connected its corporate activities to volatility on financial markets. This was enabled by domestic banks and foreign private equity who provided debt without putting much restrictions on its use.

Therefore, a financialized real estate development corporation operating in financialized real estate markets is heavily dependent on "fictitious capital formation" (AlShehabi and Suroor, 2016). This requires a continuous influx of new debt to keep real estate prices rising and to facilitate the growth of the NFC's production process/development activities (Monaghan and O'Flynn, 2012; Nesvetailova and Palan, 2013). However, as debt provision has the tendency towards first "speculative and then "Ponzi" types of finance such a model proves to be unsustainable once a "Minsky-moment" turns attention to the fictitiousness character of real estate and corporate values (Minsky, 1991; Jessop, 2015). As a result, a financialized corporate strategy makes a corporation heavily dependent on financial markets to the extent that a corporation's results, especially when it operates in a capital intensive sector, starts to reflect booms and busts on financial markets.

The domestic banks with whom Immobel had a long-term, stable relationship, in contrast, did pose much more restrictions on the use of their debt. Accordingly, Immobel with its shrunken financial balance sheet was much less vulnerable for downturns in real estate and financial markets, to the contrary, its sound financial position allowed to borrow cheaply from 2010 to finance new expansion (see Figures 5.3 and 5.4). As typical cases, and in line with Chapter 4, this suggests that the production of the built environment in the Netherlands is much more volatile.

Through adopting the conceptual framework of Deeg and Hardie (2016) on two case studies this chapter contributes to the recent debate on patient capital provision towards NFCs in 'financialized times' (Deeg et al., 2016). As small N-studies enable to analyse "ex post" instead of "ex ante" as proposed by Deeg and Hardie (2016) it becomes possible to show how mixtures of patient/impatient capital provision variegate over time and, more crucially, to analyse which actors become dominant setting a corporate strategy and why. This also helps to better understand how a firm in which impatient capital was dominant (TCN) enabled full financialization through the adoption of a myriad of financialization tools while a firm in which patient capital was dominant (Immobel) moved towards de-financialization strategies once finance was perceived to become too dominant. Nevertheless, the case of TCN also illustrated that a sizeable patient blockholder that raised its voice could not prevent financialization to take place. Accordingly, future studies could build on this through future scrutinizing how different forms of capital interact with each other within NFCs and what is finally crucial in shaping corporate strategies. But, also how the dynamics within capital providers themselves can change and how this influences corporate strategies. In this regard, this chapter indicates that, for instance, the well described rise of market oriented banking, in which banks became providers of impatient instead of patient capital (Hardie et al., 2013b) had profound different effects on Dutch and Belgian real estate development corporations.

Another element this chapter has pointed out is that waves of privatization and neoliberalization seems to have been more manifest in the Netherlands, or, at least there seems a sharper contrast between the Fordist, state-led political economy of the 1980s and current practices. For urban development this implies, among other things, the rise of semi-public organizations on real estate markets and increased real estate price volatility. The next chapter will further investigate this through analysis of the changes around urban governance and how these changes have affected urban development.

Chapter 6 Urban governance in the Low Countries; from managerial urban development towards entrepreneurial and financialized forms?

Together with Stijn Oosterlynck and Manuel Aalbers I am currently working on a shorter version of this chapter that is suitable for publication in a journal. However, this full chapter is fully my own writing/study.

6.1 Introduction

Whereas the previous two chapters have demonstrated important differences between the real estate development sectors in the Low Countries this chapter focuses on municipalities to analyse to which extent the financialization of urban development is observable. Since the early 1990s urban government related to urban development in the Netherlands and Flanders[6] has changed considerably. To better understand these changes the literatures on both the financialization and neoliberalization of urban governance are crucial. In this regard, financialization processes are conceptualized as underpinning the current dominant mode of capitalism in most countries, that is neoliberal capitalism, as financialization, for instance, facilitates the continuous commodification of activities into financial assets (Fine, 2013; Peck et al., 2009). However, in some especially Anglo-American countries, financialization processes, including the spread of financialized conventions (Chiapello, 2015), are so dominant that financialized capitalism seems to be a more appropriate label for contemporary capitalism (Lapavitsas, 2009; Moreno, 2014).

This rise of financialized capitalism is exemplified by the “increasing dominance of financial actors, markets, practices, measurements and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states and households” (Aalbers, 2017a, p. 3). Crucially, cities have arisen as important centres that command and control financialized capitalism (Bassens and van Meeteren, 2014; Moulaert and Scott, 1997; Sassen, 2001; Stanback and Noyelle, 1982). Not only are financial actors increasingly concentrated within specific areas of major financial centres, investments in real estate and infrastructure are also increasingly concentrated there (Lizieri and Pain, 2014; Torrance, 2009), and, in the development of some new urban districts a financial investment logic has become dominant (Theurillat et al., 2016; Halbert et al., 2014). Likewise, whereas Western states during the Fordist era tried to spread economic activities and wealth equably and geographically even, states now increasingly ‘bet on their strong horses’ trying to channel investments towards those areas, regularly cities, that seem to have the most prosperous future (Brenner, 2004; Hebb and Sharma, 2014; Crouch and Le Galès, 2012). Consequently, inequalities are reproduced geographically in a much more

[6]Since the 1970s Belgium has experienced concessive waves of regionalizing government responsibilities creating three distinctive political economies (Brussels, Flanders and Wallonia). For reasons explained in chapter 1 this chapter focuses on Flanders.

pronounced way, and “The periodic resetting of the [economic] cycle now excludes large segments of society—including entire cities” (Kirkpatrick, 2016, p. 48).

Operating within this changing global context urban government tends to refocus from managing broadly accessible urban services that were redistributive and supported the general rise in economic productivity of the population towards a more selective focus on inter-urban-competition at the international level for investments, tourists and the wealthy sections of the population (Harvey, 1989; Haughton et al., 2013). In regard to urban development, the Anglo-American literature suggests a trajectory of neoliberalization followed by first the adoption of an entrepreneurial policy toolkit and subsequently financialization (Kirkpatrick, 2016; Kirkpatrick and Smith, 2011; Peck and Whiteside, 2016). This also relates to the transformation of local ‘public’ government into ‘urban governance’ in which loosely organized groups of private and (semi-)public actors cooperate to make pro-growth policies dominant (Stoker, 1998; Logan and Molotch, 1987; Bassett, 1996; Stone, 2006). The more European oriented Regulation Approach (see also chapter 1) enriches this perspective by placing the rise of these ‘growth machines’ into local regulation dynamics: how local politics, economic conditions and context interact both with a (new) national mode of regulation and transformations within capitalism enabling, among other things, to conceptualize about contestation and historical pathways (Martinelli et al., 2013; Terhorst and Van De Ven, 1997; Savitch and Kantor, 2002). Such an approach is extremely interesting in particular as it has not yet been applied to study the financialization of urban government/development.

However, this chapter primarily aims to full another theoretical gap. Namely, although there are plenty of case studies on the neoliberalization of urban projects in non-Anglo-American cities both in ‘financialized’ form (Halbert and Rouanet, 2014; Theurillat et al., 2016; Mosciaro, n.d.; Guironnet et al., 2016) and in ‘entrepreneurial’ form (Doucet, 2013; Taşan-Kok, 2010; Swyngedouw et al., 2002; Büdenbender and Zupan, 2016), there are surprisingly little studies that analyse if there are general tendencies towards financialization or entrepreneuralization within municipalities within a specific country/region and historical comparisons are limited (cf. Aalbers, 2017b). In line with recent criticism (cf. Le Galès, 2016), this chapter will demonstrate that general municipal expenditure in the Netherlands and Flanders is still largely contributing to the provision of public goods and services. Nonetheless, around urban development a more entrepreneurial stance is clearly observable especially through the use of municipal instruments that increase connections between local government and (financialized) real estate markets.

Municipalities in the Netherlands and Belgium are useful cases to analyse if and how theoretical concepts around urban governance have travelled to the continental European context. Urban governance is embedded in open economies with a highly educated work force, relatively strong economic performance, large banking sectors, and the highest net household wealth in the Euro zone. Both small countries have strong global connections whereby economic activity is concentrated within closely connected cities that are in the Netherlands concentrated and in Belgium sprawled but in both countries densely populated (de Vries, 2015; van Meeteren et al., 2016). But, local municipal autonomy is considerable higher in Flanders and state agencies are weaker than in the Netherlands especially in relation to urban development (Halleux et al., 2012; de Vries, 2015). Moreover, although the countries experienced a similar internationalisation and collapse of banking (Chang and Jones, 2013) the Flemish political economy seems to contain important barriers towards financialization, while financialization is omnipresent in the Netherlands (van Loon, 2016).

Consequently, as this chapter aims to demonstrate, Dutch municipalities seem to have experienced similar pressures and seductions as American municipalities such as real estate bubbles; low economic growth; rise of predatory finance (Peck and Whiteside, 2016; Kirkpatrick, 2016). Accordingly, many municipalities adopted an urban growth model in which they tried to profit from increasing land values through land banking that connected local public finances to increasingly volatile, local real estate markets (Janssen-Jansen et al., 2012) (see Section 6.6). But, (financial) analyses of the extreme but not exceptional case of Apeldoorn presented in Section 6.6.2 also show how “ring-fencing” (Allen and Pryke, 2013) municipalities from financial markets and inter-municipal financial solidarity creates a very specific, continental European processes of financialization. In this regard, despite losses on land holdings of close to €200 million the debtors of Apeldoorn did not take over urban government making a case for an European variegation of financialization in which calculative practices of municipalities and the creative use of state-instruments—i.e., municipal land banks—are central (Coq-Huelva, 2013; Lagna, 2015b).

Flemish municipalities, in contrast, have shifted from a model of ‘laissez-faire’ (sub-)urban development towards entrepreneurial growth regimes in which public and private actors have gotten more resources to create larger, more prestigious real estate projects showing great similarities with American entrepreneurial modes of the 1980s including comparable ‘growth-machines’ (Block et al., 2012). Importantly, public funds are increasingly used to attract the (higher) middle class instead of supporting disadvantaged households and neighbourhoods (Loopmans, 2007; van Hamme et al., 2011). As Section 6.7.1 will illustrate, for doing so, municipal instruments (especially autonomous municipal real estate organizations) were developed through which municipalities became active on local real estate markets mostly through land banking, real estate investing and development thus connecting municipal finance to local real estate markets. Still, although transferring public policy tasks to autonomous municipal real estate organizations distances the decision making process from the City Council (*Gemeenteraad*), the Municipal Executive Board (*College van Burgermeester & Wethouders)* remains firmly in control. This is illustrated by the case of Antwerp, discussed in Section 6.7.2, were a new political regime started to use Antwerp’s municipal real estate organization to smoothen deals with private developers instead of a previous form of entrepreneurialism that, besides attracting higher income-groups, also enhanced spatial quality and social goals.

The cases of the Dutch and Flemish municipalities presented in this chapter demonstrate how elements of neoliberalization are systematically re-produced but in variegated, both geographically and temporarily (Martinelli et al., 2013; Brenner et al., 2010) forms and that it is crucial to analyse (the financial dimensions of) municipal instruments around urban development to better understand this variegated neoliberalization or, in the Dutch case, variegated financialization.

The chapter starts out with a theoretical discussion on different modes of urban government/governance (Section 6.2) summarizing the key elements of each form in Table 6.1 and presenting the methodology used in this chapter (Section 6.3) enabling to operationalize these different modes in Section 6.4. Section 6.5 then contains the first important contribution of this paper, namely a screening if steering forces for entrepreneuralization and financialization are also present in Flanders and the Netherlands. However, a discussion on the empirical literature on urban governance in the Low Countries related to urban development - Section 6.6.1 on the Netherlands, Section 6.7.1 on Flanders—shows that processes of entrepeneuralism (Flanders) and financialization (the Netherlands) are clearly observable. This allows to make a second important empirical contribution, namely to show how processes of financialization (in Apeldoorn, Section 6.6.2) and entrepreneuralization (in Antwerp, Section 6.7.2) not only change the dynamics of local urban development, but, the cases also help, building on (Robinson, 2015; Robinson, 2011; Brenner and Theodore, 2002), to trace back the genesis of processes of financialization and entrepreneuralization themselves to analyse how they morph into a unique variegation. This enables to make third, theoretical, contribution, namely to present in the conclusion some thoughts on variegated, European forms of financialized and entrepreneurial urban governance around urban development.

6.2 Variegated neoliberalization at the urban level

Neoliberalism as an “explicit political-economic project” (Peck and Tickell, 2002, p. 384) has been established during the 1980s by a “rolling back” of previously dominant welfare arrangements. In the 1990s Neoliberalism has been “rolled out” through re-scaling and re-configuring state agencies and institutions prioritizing commodification, marketization, and privatisation (Peck, 2004), a process intensifying during the Great Financial Crisis (Coq-Huelva, 2013; Springer, 2012; Aalbers, 2013b). The neoliberalization of both European and Anglo-American urban government has received wide scholarly attention (Brenner and Theodore, 2002; Swyngedouw et al., 2002; Harvey, 1989; Martinelli et al., 2013). The general, and barely contested, claim (cf. Cox, 2009) is that national states have shifted from a focus on service provision and welfare distribution towards neoliberal modes prioritizing welfare creation through competition on multiple scales for investment, economic activity, tourists and the economic sustainable population thereby betting on their ‘strong horses’, their ‘champion cities’ (Harvey, 1989; Crouch and Le Galès, 2012; Brenner, 2004). Related processes of re-scaling government responsibilities, re-structuring government funding and waves of privatisation have opened up local government for more market oriented practices and ideologies. Likewise, on all levels of scale, the dominant paradigm has changed from welfare regimes delivering both social protection for the middle class and support for the economic vulnerable population and areas, towards a revanchist neoliberal state punishing vulnerability through processes of othering and social-economic segregation (Aalbers, 2017b).

Accordingly, it is claimed that neoliberalization first made urban government more entrepreneurial introducing more loose forms of ‘governance’ and later, in particular contexts, financialized as in American cities “entrepreneurial strategies are increasingly realized through financially mediated means and in conjunction with credit market actors, agencies, and intermediaries” (Peck and Whiteside, 2016, p. 240). As all three processes interact with existing urban political economies, they are inherently uneven and variegated processes. Although the processes are systematically reproduced complex socio-economic historical-geographies create profound geographical and temporal *variegation* (Brenner et al., 2010; Gonzalez and Oosterlynck, 2014). Neoliberalism, as a dominant discourse, has to be actively constructed in the urban context through existing and older (local) institutions, practices and ideas (Aalbers, 2017b). This acknowledges “multiplicity, complexity, variegation, and contextual specificity” (Springer, 2012, p. 135) and enables to conceptualize urban governance as internationally connected and able to adopt similar globalisation processes (Robinson, 2015; Brenner et al., 2010). Hence, transformations within urban governance are conceptualized as open, contingent and contextually variegated process of many interacting structures and mechanisms creating messy, often path dependent, incremental change (Brenner and Theodore, 2002). Still, it is also acknowledged that there could be structural transformations that reflect dominant tendencies within contemporary capitalism, such as the rise of financialized capitalism, that (partly) re-order urban societies (Moulaert et al., 2016; Martinelli et al., 2013). Consequently, the concepts of financialization and neoliberalization can bring various localities into conversation with each other as they describe shared experiences in which respectively the increased dominance of financial logics and practices (financialization) and market-like logics and efficient solutions (neoliberalization) are put central into urban development (Robinson, 2015; Hall and Hubbard, 1996; Peck and Whiteside, 2016; Swyngedouw et al., 2002).

6.3 Methodology

It is expected that processes of neoliberalization have stimulated first a more entrepreneurial stance towards urban development and later opened it up for financialization practices. This is observable at the municipal level were local budgets are managed that can introduce financialization and decisions are made that shape urban development. However, dealing with a complex, messy, urban reality many studies illustrate a large degree of “looseness” or “under specification” making it hard to assess the neoliberalization of urban (re-)development (Gerring, 2007; Le Galès, 2016).

Therefore, the next sections will operationalize the neoliberalization of urban government, i.e., the steering forces that could set in motion processes of entrepreneurialism or financialization, through dimensions 1—4 in Table 6.1 that help to answer the main research questions: what does the existence of the financialization/entrepreneuralization of urban government related to urban development presuppose? What kind of wider processes and changes could set in motion the financialization/entrepreneuralization of urban government? A second step is to analyse data on municipal finance in the Low Countries to find quantitative indications for the rise of steering forces of financialization/entrepreneuralism. These analyses, presented in Section 6.5.2 are primarily based on government statistics that are difficult to compare or not available before 2005.

Hence, in sections 6.6.1 and 6.7.1 these quantitative indicators are confronted with empirical studies on urban governance related to urban (re-)development in respectively the Netherlands and Flanders. These studies often downplay the financial dimension and indicate that the precise role of new municipal instruments to participate on land/real estate markets needs further investigation. Therefore, sections 6.6.2 to 6.6.3 and 6.7.2 to 6.7.3 respectively focusing on Apeldoorn and Antwerp aim to trace back the genesis of processes of financialization and entrepreneuralization by scrutinizing how municipal tools to steer urban development connect municipal finance with local (financialized) real estate markets (Robinson, 2015; Robinson, 2011).

Selecting Apeldoorn and Antwerp is in line with theorizing in comparative urban studies (Robinson, 2015; Flyvbjerg, 2006) that prioritizes not the comparability of cities in search for “the symptoms of a problem” (Flyvbjerg, 2006, p. 229), but to research “how a specific urban outcome emerges, and through this engagement with its production, or genesis, alongside many other interrelated phenomena, to draw it into conceptualization” (Robinson, 2015, p. 18). Consequently, Apeldoorn and Antwerp were selected because, after a first screening of possible cases, they came to the fore as likely cases for showing the characteristic mode of governance for their country, respectively financialization processes and entrepreneurialism. In this respect, analyses of their instruments to steer local urban development, respectively through land banking and an autonomous real estate corporation, are crucial to show how municipal finance has become connected to local real estate markets. As the use of these instruments is wide spread in the Low Countries, it is expected that the findings are useful for cities that use comparable entities. But it also offers insights on the variegated reproduction of more market oriented municipal instruments to steer urban development.

This perspective enables to study variegation—with various methods as each context demands its own research tactics (Sassen, 2013)—through “theoretically informed, historically and geographically embedded ‘story-telling’” (Novy et al., 2013,

p. 58), and by bringing the cases into “creative conversation” (Robinson, 2011; Springer, 2012) with the wider (Anglo-American) literature (Moulaert et al., 2003). Structured, open interviews (six interviews with six people on Antwerp, three interviews with seven people on Apeldoorn, see Appendix I), annual reports (including archival research), policy documents (including many documents around urban planning), media reports and internal and external research reports provide the data for these urban case studies of which only a small part can be shared in this chapter. This standard urban studies toolbox is enriched with extensive financial analyses on the connections between the municipal instruments to steer urban development and general municipal finance. As both cases are analysed through similar methodological anchors (i.e., the elements in Table 6.1) they can be compared through reflecting on the found similarities and differences (cf. Novy et al., 2013). These case studies help to answer the second set of research questions, namely: If, and if so how, do financialized and entrepreneurial modes of urban governance pre-structure the practices and actions of important actors around urban development? Which mechanisms are at work simultaneously and how can their respective effects be distinguished?

6.4 Different modes of urban government/governance

Table 6.1, closely following Peck and Whiteside (2016) attempts to show both the factors and processes that enabled the three modus operandi related to urban development and its distinctive characteristics according to the urban studies literature. This enables to research the different modes of local governance/government in a more structural manner throughout this chapter within the European context.

6.4.1 Managerial urban government

The rise of managerial urban government took place within a context of relative strong, centrally led states that adopted in the post Second World War period policies of spatial Keynesianism that aimed to spread wealth—that grew steadily within Fordist economies (**dimension 1)**—geographically equally based on strong, sectoral policies formulated by central governments that often included re-distributive grand-systems **(dimension 2)** and clear urban planning policies **(dimension 3)** combined with national legislation that was developed in a top-down technocratic manner **(dimension 4)** (Brenner, 2004; Savitch and Kantor, 2002). As a result, collective consumption controlled by central governments defined, following scholars such as Castells (1977) urban trajectories, or, at least, it created thick layers of foundational urban economy (Engelen et al., 2016). Consequently, the local managers (i.e., civil servants) of these extensive welfare arrangements were powerful actors controlling access to public services such as social housing. This made municipalities to a large extent managerial in the sense that they primarily focused on the local provision of services with the aim to redistribute incomes within stable local political coalitions **(dimensions 5—7)**

Table 6.1 Crucial dimensions of managerial, entrepreneurial and financialized modes of urban governance related to urban development in Europe

	Managerial Urban Government	*Entrepreneurial Urban Governance*	*Financialized Urban Governance*
1)Domestic political economy	Fordist; steady economic and income growth; politics of income redistribution	"After-Fordistflexibilization and internationalization; weak and uneven growth; deflating downtown property markets" (P&W)	"Speculative and predatory finance; credit market instability; low growth and precarity; real estate bubbles" (P&W)
2)Inter-govern-mental: financial	Comprehensive federal/central state redistributive grand-systems to provide local public services; large bureaucracies	increased financial and fiscal municipal autonomy; restructuring of subsidies towards 'competitive' projects; less countercyclical budgeting	"procyclical budgeting; systemic public sector austerity" (P&W)
3)Inter-govern-mental: planning urban policy	Strong role federal/central state agencies; social housing; planning for 'public goods' and sectoral (economic) goals	Prioritizing entrepreneurial activities; reregulating to facilitate more market oriented 'soft' or 'flexible' planning and empowering local private actors/(semi-) public agencies	More market oriented, opening the built environment up for financialization processes
4)Regulation	Clear national legislation	"After the fact, by interurban competition" (P&W): EU 'free market' rules	Increasingly in favour of wishes financial actors (i.e. borrowers and investors)?
5)Governing Rationalities	Social reproduction and protection for (lower)middle class	"'Growth machine' consensus; task-focused; development coalitions; exchange-value driven; publicly subsidized development with risk-averse partners; speculative construction of place" (P&W)	Increased municipal financial creativity/risk taking?; Reregulation opening municipalities up for financialisation processes?
6)Techniques	State develops real estate for public good provision; state funding for properties housing economic activity	"Corporate subsidization and place marketing; experimental privatization; enterprise zoning and deregulation" (P&W); PPP	Creative ways to adopt financialisation tools?; (in)directly connected to financialisation through close corporation with financialized actors/real estate markets?
7)Political dynamics	Stable political coalitions; 'machine' politics	"growth coalitions, democratic deficits" (P&W)	"Postdemocratic technocracy: emergency management, budgetary fiat, fiscal balkanization" (P&W)?

Sources: primarily based on Peck and Whiteside (2016, p.6) (P&W), and chapter 6

Grey (1-4): Factors/processes that can give rise to managerial/entrepreneurial/financialized urban governance; Non-grey (5-7): main characteristics of managerial/entrepreneurial/financialized urban governance

(Harvey, 1989; Lauermann, 2016). As such, managerial urban government relates to a local state managing “the city through bureaucratic means” (Hall and Hubbard, 1996, p. 154) aiming to support the re-production of labour through social expenditures (Harvey, 1978; Harvey, 1989).

6.4.2 Entrepreneurial urban governance

In regard to urban development, entrepreneurialism is now conceptualized as the central goal of many cities (Molotch, 1993; Harvey, 1989; Hall and Hubbard, 1996; Lauermann, 2016), and the crucial dimensions of this turn for the United States have been recently synthesised by Peck and Whiteside (2016, p. 6). Table 6.1 presents an attempt to translate their synthesis into researching the European context whereby dimensions 1—4 relate to structural transformations of political economies that gave municipalities both more responsibility and autonomy to act more competitive. Whilst general trends in the macro-economy seem to be comparable between Europe and the United States **(dimension 1),** Peck and Whiteside’s (2016, p. 241) synthesis of the intergovernmental fiscal relations as “Rollback of Keynesian redistribution, automatic stabilizers, fiscal transfers, countercyclical budgeting; entrepreneurial leverage of inherited assets and infrastructures” contrast with Europe where there is no over-arching fiscal regime creating a wide variety of intergovernmental fiscal relations (Savitch and Kantor, 2002). Overall, structural austerity policies towards local governments seem to have been less dramatic. Moreover, there are still funds in place to support vulnerable regions. Nevertheless, European countries did experience globalisation, re-scaling, de-industrialization, and a decrease of welfare regimes (Brenner, 2004; Swyngedouw et al., 2002) increasing the financial and fiscal autonomy of municipalities **(dimension 2)**. Consequently local governments moved “towards an increased emphasis on development activities and away from being a relay for the welfare state” (Cox, 2009, p. 10).

In contrast with the territorialized political representation in the USA, in many European countries centralized party systems have created powerful central state agencies (Cox, 2009). Accordingly, as central state agencies play an important role through urban planning and the formulation of urban policies **dimension 3** has been added (Savitch and Kantor, 2002). It is expected that through the neoliberalization of state agencies planning can become increasingly aimed at welfare creation instead of welfare distribution enabling closer co-operation with private actors and prioritizing market oriented solutions. To smoothen the realisation of urban projects regulation becomes more flexible and increasingly takes place ‘after the fact’ **(dimension 4)** (Haughton et al., 2013), or consists of European legislation that promotes market-oriented approaches (Warner and Clifton, 2014).

Dimensions 5-7 describe the main characteristics of entrepreneurial urban governance. **Dimension 5** indicates how local managerial government has blurred into “an aggregation of different agencies, dominated by different interests and social groups" (Coq-Huelva, 2013, p. 1216) making new governing rationalities dominant. Technically (**dimension 6**), actors around urban governance answer their own perceived increase of intra-urban competition with a pro-growth agenda that prioritizes prestigious real estate projects to put a city on the map often in close cooperation with private actors projects structured through a Public Private Partnership (hereafter PPP) (Brenner, 2004; Swyngedouw et al., 2002; Molotch, 1993), making (semi-public)state agencies both regulators and promotors of urban development (Jessop, 2002). As a result, not only hierarchies of place are introduced ignoring sizeable areas that are perceived as not contributing to urban competiveness (Aalbers, 2017b; Engelen et al., 2016), but these activities also heavily increase municipal risk taking as well as a tendency to protect municipal investments (Lauermann, 2016). Politically (**dimension 7**), decision making processes have moved largely into "the 'in-between' spaces of governance that exist outside, alongside or in-between the formal statutory scales of government, from area masterplans to multiregional growth strategies" (Haughton et al., 2013, p. 220) where private and public technocrats operate outside democratic control (Swyngedouw, 2009; Oosterlynck and Swyngedouw, 2010). Sections 6.6 and 6.7 present analyses on the extent to which Flemish and Dutch urban governance shows similarities to this modus operandi.

6.4.3 Financialized urban governance

The literature on the financialization of American urban governance offers a straightforward narrative. Structural supra-municipal budget cuts have further increased the urge for urban entrepreneurialism, but, also reliance on both local taxes and external finance that has become increasingly speculative and predatory (Peck and Whiteside, 2016; Kirkpatrick, 2016; Kirkpatrick and Smith, 2011). Municipal budgets increasingly rely on urban growth making urban governance a keen promotor of cities as sites of investment (Lizieri and Pain, 2014), but also a creative financial engineer, for instance by monetizing on future tax-income from urban re-development and infrastructure (Weber, 2010; Pacewicz, 2013). Consequently, as cities financialize their public assets the provision of urban services including infrastructure has become increasingly entangled with financial capital through various opaque institutional arrangements (Ashton et al., 2016). In addition, conservative external finance started to morph into increasingly complex forms of municipal debt financing through opaque vehicles putting municipal finance to a large extent outside democratic control (Kirkpatrick, 2016). This "process of systematic financial intensification" (Peck and Whiteside, 2016, p. 262) has made financial logics dominant in American urban governance by closely interweaving urban futures and current policy possibilities with financial markets' volatility and financial orthodoxies without any protective layers of government, i.e., to a certain extent, finance now governs American cities (Kirkpatrick, 2016; Peck and Whiteside, 2016; Ashton et al., 2016), and seems to take over British cities (Benjamin, 2015).

The synthesis of Peck and Whiteside on the financialization of urban governance (2016, p. 6) needs to be critically interrogated within the European context. However, at the level of domestic political economies (**dimensions 1 and 2)** many European countries experienced similar trends as the rise of (predatory) finance and real estate bubbles (Jordà et al., 2014) and, in particular after the European debt crisis, structural public sector austerity. Moreover, there is an extensive literature describing how urban planning (**dimension 3)** has transformed from public good provision towards enabling 'markets' (including financial markets) to take the lead in producing the built environment (Haila, 1988; Hajer and Zonneveld, 2000; Haughton et al., 2013; Theurillat et al., 2016). Accordingly, there is a booming literature illustrating how the European urban planning of single urban (re-)development projects increasingly aims to satisfy the desires of financial investors (Guironnet et al., 2016; Theurillat and Crevoisier, 2013; Charnock et al., 2014; Theurillat et al., 2016). Financial investors conceptualize real estate investments as 'just another asset class' and thus cities have to offer an attractive expected 'risk adjusted rate of return' compared to other financial assets as shares and bonds (van Loon and Aalbers, 2017). In extreme cases, the development of real estate is even unnecessary as land itself can be traded as a financial asset, i.e., " 'real' capital and value proved nothing but pretexts for the reproduction of financial capital" (Theurillat et al., 2016, p. 1517; see also Savini and Aalbers, 2015). Still, in contrast with the Anglo-American context it is questionable if this tendency is embedded in new legislation facilitating the wishes of financial actors (**dimension 4)**. Instead, it seems that derivative-debacles of semi-public organisations have led to reregulation constraining the influence of financial actors (Aalbers et al., 2017; Lagna, 2015b; Pani and Holman, 2014).

The discussion below will make clear that financialization in the American way is unlikely in the context of the Low Countries especially due to different relations between municipalities and central state agencies and due to regulation around municipal finance. Accordingly, the dimensions of financialized urban governance (dimension 5—7) are re-conceptualized into research questions that are answered in the remainder of this chapter.

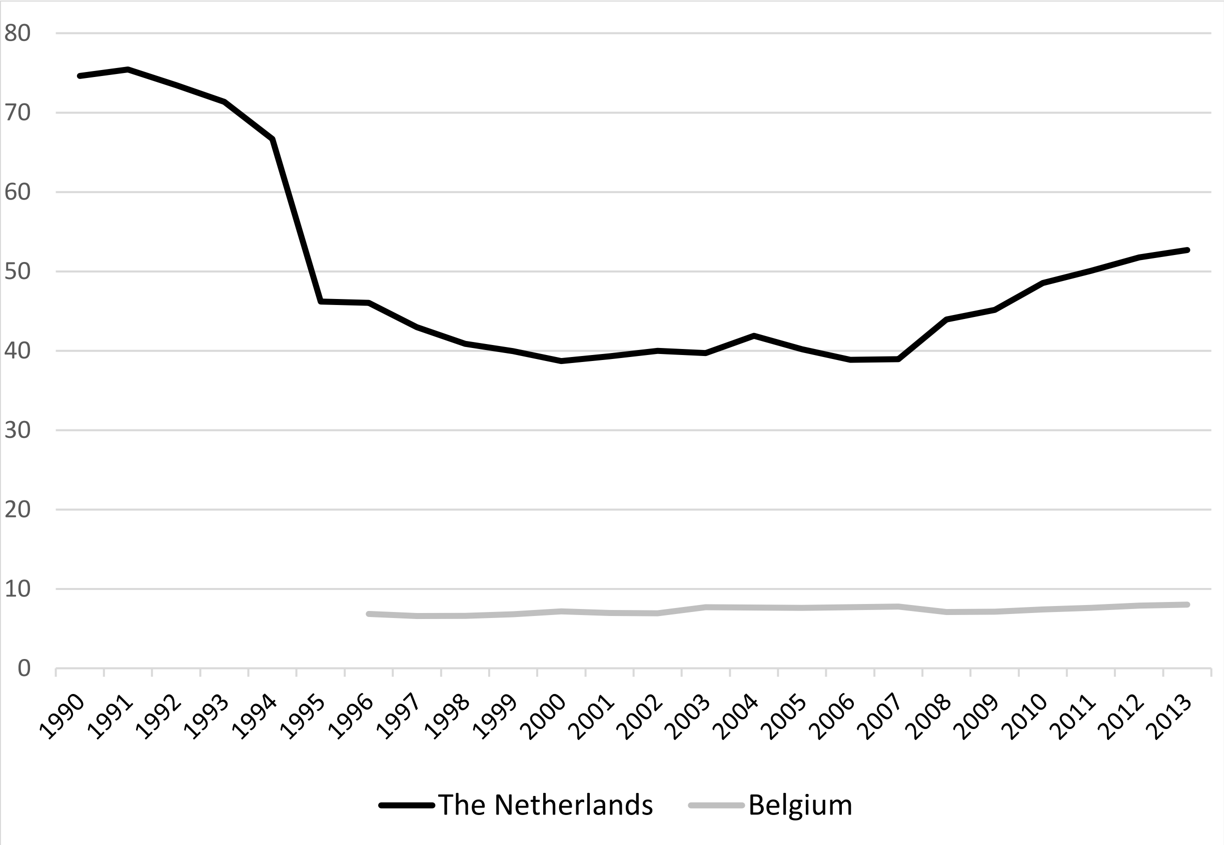
6.5 Transformation of urban government: steering forces

To indicate to which extent there are similar steering forces observable towards first entrepreneurial and subsequently financialized forms of urban governance the following three sub-sections investigate the extent to which the most important steering forces (dimensions 1—3, Table 6.1) are observable in the Low Countries.

6.5.1 Dimension 1: transformations within a domestic political economy

The previous chapters have made clear that important developments within domestic political economies that preluded, first, the entrepreneuralization and, subsequently, the financialization of urban governance in the United States are also observable in the Low Countries. The general transition to a post-Fordist economy that is more internationally oriented and characterised by weak and uneven growth is observable in both countries. Nevertheless, a deflation of downtown property markets was not observed: to the contrary, the highest property values are within urban centres in both countries. The second phase, preluding the financialization of urban governance, is in particular observable in the Netherlands with its debt fuelled real estate bubbles and related credit market instability that masks its low growth environment. Also, in both countries speculative and predatory finance are clearly observable both through the financialization of banking and massive mis-selling practices (e.g., derivatives to small and medium-sized corporations and semi-public organisations, complex investment products to households with high masked costs, and so forth).

Figure 6.1 Outstanding long-term (> 1 year) municipal debt (in billion Euro).



Sources: CBS (2016); Lokale Statistieken (2016); Dexia (2016)

However, in regard to municipalities, there seem to be fewer possibilities for finance to be predatory and speculative. As Figure 6.1 indicates, absolute debt levels of Dutch municipalities have decreased considerably while those of Flemish municipalities remained stable. Also, municipal bond markets and (complex) municipal financial products[7] are rather small in the Low Countries

In the Netherlands borrowing has decreased mostly as the result of privatization that transferred municipal responsibilities in particular related to housing, health care, and utilities towards (semi)-private organizations (Vos and Westerhuis, 2014, p. 233). But, since 2007 municipal debt has increased steadily from €39 billion in 2007 to €53 billion in 2013. Roughly three-quarters of the loans are obtained from a single domestic bank, primarily the bank of Dutch municipalities (*Bank Nederlandse Gemeenten,* hereafter BNG bank), that is half owned by local state agencies (primarily municipalities) and half owned by the central state (BNG Bank, 2016). Many municipalities adopt debt levels far below the by supervisors required thresholds (Allers and Merkus, 2013). However, municipalities have been creative in avoiding these restrictions, sometimes by just ignoring them as the rules are not legally binding, or by creative interpretations of accountancy principles (Allers and Merkus, 2013, p. 13).

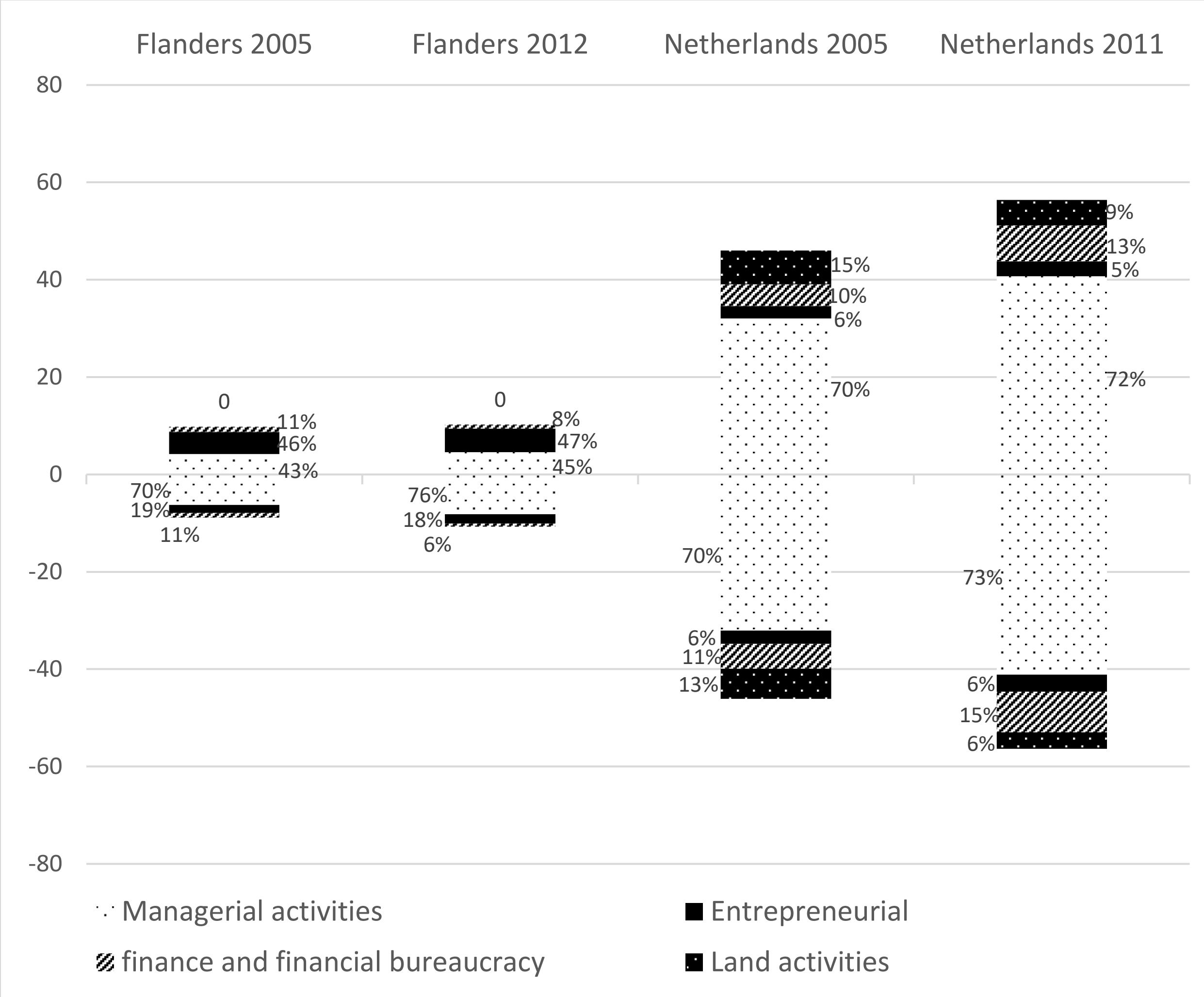
Outstanding debt of Flemish municipalities has been on a moderate and stable level and the debt to the total municipal budget has decreased. Despite the possibility to initiate public loans, debt was until 2007 usually provided through long-term simple bank-loans: first, mainly by 'Municipal Credit' (*Gemeentekrediet*)[8] but later also by the other large banks. After the credit crunch the conditions for municipal loans became less attractive as banks became hesitant to write out the long loans—often with a duration of 20 years—the Flemish municipalities were accustomed to motivating a couple of dozen municipalities to initiate bond offerings, and around 7% of the outstanding debt currently consists of bonds (Leroy, 2015). Flemish supervision requires a realistic budget for the full 6-year governing period whereby cash-flows are in balance and there is enough surplus to pay back debt plus interest. To calculate this balanced budget, only regular debt repayments are taken into account thereby neglecting large, incidental repayments that many municipal bonds require. Also, separate municipal entities are excluded from this budget supervision creating room for municipalities to become more creative with their finance (Leroy, 2015).

6.5.2 Dimension 2: intergovernmental support, financial

As the result of the inaccessibility and unavailability of historical data it would be very time-consuming to gather comparative statistic on long-term changes within municipal finance. It is possible, however, to analyse municipal expenditure and income for a more recent period (2005—2012). Hence, Figure 6.2 presents the aggregated income and expenditure of Flemish and Dutch municipalities for the first and last year the data was available for both countries. To construct the Figure, based on the discussion in

[7] In various interviews it came to the fore that municipalities use derivatives in both countries but claim to do so in very conservative, risk averse ways. There is no aggregated data on this making this an interesting venue for further research.
[8] that was owned by the municipalities themselves but later merged into Dexia, became listed and after the crisis was nationalized and turned into Belfius,

Figure 6.2 Municipal income and expenditure (-) in Flanders/the Netherlands (in billion Euro).



Sources: CBS (2016); www.lokalestatistieken.be; Agentschap Binnenlands bestuur (2016)

the previous section (i.e., Table 6.1), both income and expenditure were categorized into primarily managerial, entrepreneurial and finance/financial bureaucracy. Nonetheless, the existing statistical categories of government agencies makes this an extremely hard and complex exercise. Below, this categorization is further discussed showing the many limitations of Figure 6.2 but also enabling to better understand some mechanisms that lay behind municipal finance in the Low Countries.

Managerial income is operationalized as supra-local income that is provided to municipalities in a non-competitive way and is labelled for the provision of public services. In both countries a considerable part of municipal income exists of a municipal fund monitored by supra-local state agencies that can primarily be spend on the provision of local public services and goods. However, as the discussion of Figure 6.2 below will illustrate, recent reforms in both countries allow municipalities to spend income from the general municipal funds in more freedom. The Dutch category managerial income also includes income from local (real estate) taxes as this income cannot be spent freely, it should be spent on specific public services such as garbage collection.

Managerial expenditure is operationalized as expenditures for the provision of public services and goods. The Dutch CBS-data is categorized rather precisely. Consequently, the following expenditure categories were categorized as managerial: bureaucratic costs related to local government, infrastructure and mobility; police, education; culture and leisure; social amenities and social work; health care. Subsequent analyses on the case of Apeldoorn show that these types of spending are primarily related to services for the local population, i.e., general expenses on the maintenance of local roads, sport amenities, neighbourhood centres etcetera. The Flemish data is less detailed, but, subsequent research on the case of Antwerp—a thorough analysis of Antwerp's expenditures and income since the early 1980s—shows that the category allowed subsidies (*toegestane werkingsubsidies*) contains many similar activities as in the Netherlands including subsidies for social amenities (*OCMW*).

Entrepreneurial income is operationalized as those sources of income for which municipalities have to compete. In the Netherlands, this relates to all local taxes that a municipality can establish in autonomy and which can subsequently be spent in relative freedom. These are primarily relatively low taxes related to advertising, corporations and tourism. For Flanders all local taxes are categorized as entrepreneurial, as juridical, they could be adjusted and spend in great freedom. Consequently, there is a wide array of local taxes with subsequent differences, but, in general property and income related taxes are the largest part of local tax income (Geys and Revelli, 2011). As a result of the available data this indicator thus emphasizes the local autonomy element of entrepreneurialism and does not take into account that, due to general political consensus, much of this entrepreneurial income is, in Flanders, spend in managerial ways.

Entrepreneurial expenditure is operationalized as expenditure that is used to attract people and businesses to a municipality. This puts an emphasis on investment and public/private cooperation. In the Dutch data this is difficult to distinguish. For instance, the category 'cultural and leisure' could contain both expenditure on a regular swimming pool for the local population and an investment in a large swimming pool to attract a more regional population. Only the categories urban planning and economics have been labelled as entrepreneurial because these are often primarily used to attract corporations or people to a municipality. Also, as Section 6.6 will illustrate, the category land activity relates primarily to entrepreneurial activities on local land markets and could thus be added to the category entrepreneurial. In the Flemish data, entrepreneurial expenditures exist of investments, investment subsidies and the sale of assets that are usually participations in semi-public corporations such as utility corporations.

Financialization processes/Finance and financial bureaucracy: the discussion above already indicates that it is probably hard to speak of financialization within municipal finance in the Low Countries. Both in the Dutch and Flemish data income and expenditure that could not be labelled as entrepreneurial or managerial primarily relates to financial bureaucracy and probably less to financialization processes. In the Flemish case this data consists of loans and leases and debt repayments. In the Dutch case this data consists of loans and leases, other financial means, and categories that relate to bureaucratic accountancy practices (*Lastenverlichting Rijk; Saldo van kostenplaatsen; Saldo van de rekening baten en lasten*).

It is acknowledged that the operationalization above is far from watertight. For example, a 'managerial' activity such as culture and leisure could also be used to a certain extent for an entrepreneurial strategy. Moreover, with the available national/regional data it is impossible to establish whether a certain expenditure is aimed at attracting certain preferred groups and thus entrepreneurial or whether a certain expenditure is aimed at distributing public services that are accessible for all groups. Therefore, more thorough analyses are needed to really grasp how budgets are spend. For doing so, an important goal of this chapter is to analyse the relation between municipal budgets and urban development.

By doing so this chapter will show, for in particular the Flemish case, how certain supra-local funds (*werkingssubsidies*) around urban development that are labelled in Figure 6.2 as managerial can also have rather entrepreneurial effects. However, such a conclusion could only be reached after a detailed case study of Antwerp including archival research on municipal finance from the early 1980s onwards. As a result, future studies should scrutinize the data in Figure 6.2 aiming to create a more dynamic understanding of municipal income and expenditure. This is an important task as the urban studies literature lacks thorough quantitative evidence for the transmission from managerialism towards entrepreneurial and financialized forms (Pinson and Morel Journel, 2016; Le Galès, 2016).

Nonetheless, Figure 6.2 also gives an indication for the amount of a municipal budget that could be decided over locally. In this sense, the larger the category managerial the less the local state has to say about adjusting municipal income and spending budgets. The larger the category entrepreneurial the greater the autonomy of municipalities over their financial affairs. The financialized category would then indicate the part of budgets over which financial actors have considerable influence.

In the period 2005—2012 the provision of public services was in both countries the largest municipal expenditure. As Figure 6.2 indicates, Dutch municipalities have a low degree of autonomy around local taxes, by large their budgets[9] are pre-structured through a sophisticated, formula-based, equalizing grant system controlled by the central government for the provision of specific public services and urban policies: municipalities are mainly financed by the central government to act in a managerial way. This includes inter-municipal financial solidarity and fiscal discipline monitored by both the central state and provinces that makes municipal bankruptcies rare and functions as a geographical equalizer (Allers and Merkus, 2013; Aalbers and van Beckhoven, 2010). Nevertheless, whereas until recently continuous waves of decentralizing central government tasks combined with budget cuts were compensated by selling municipal assets (Vos and Westerhuis, 2014), more recent reforms since 2013 seem to have increased the autonomy of municipalities over their budgets. However, this development is not captured in Figure 6.2 as the latest comparative data is from 2012. Nevertheless, as Section 6.6 illustrates, since the mid-1990s municipalities have found additional income streams, primarily through municipal land activities, but also through participation in semi-public corporations (ASRE and PBL, 2013).

Flemish municipalities, in contrast, have a high degree of autonomy around local taxes creating room for entrepreneurial practices as tax competition. As Figure 6.2 illustrates, and in line with historical levels, local income is on average 40% of the municipal income (Geys and Revelli, 2011). This income is mostly determined by the amount of taxable high-income residents and real estate prices thus stimulating municipalities to attract higher income groups. As from this tax-income municipalities also have to finance expenses related to economic activity–such as infrastructure–a discrepancy has arisen between urban areas with high economic activity (and often a relatively poor population) and more residential, usually suburban areas with a relatively wealthy population (Kesteloot and Saey, 2002; Terhorst and Van De Ven, 1997; Maesschalck, 2011). Also, recently, supervision from the Flemish government has been relaxed demanding much less explanation of the spending of supra-local funding (interviews). Nevertheless, there is wide political consensus that also local tax revenues should be primarily used for the provision of public goods (Geys and Revelli, 2011 interviews), therefore, the expenditures of Flemish municipalities still relate to a large extent to managerial activities.

6.5.3 Dimension 3: intergovernmental support, urban planning and urban policy

The discussion above makes clear that the relationship between municipalities and supra-local agencies still seems to be based on rather managerial practices (dimension 2 in Table 6.1). This section will show how in regard to urban planning and urban policy in both countries a transmission towards more entrepreneurial and

[9] There seems to be only fragmented data on different periods, e.g., (Allers, 2012) shows for 2011 that 54% of municipal budget is provided by the central state and (Allers and Elhorst, 2005) 67% for 2002.

financialized forms of urban governance seems to be appearing (dimension 3 in Table 6.1). This in particular relates to a wider transformation within state agencies in both countries in which more market oriented policy solutions are increasingly preferred.

Both in the literature and in general government finance there are suggestions that supra-local funding increasingly prioritizes entrepreneurial goals and that municipalities have adopted instruments (in particular PPPs) to actively participate on real estate markets. In Flanders supra-local funding for urban policies was almost non-existent until the early 1990s (De Decker et al., 2005). Then it became first available to stimulate social infrastructures and social innovation and from 2002 onwards increasingly aimed at promoting more entrepreneurial goals especially through state-led gentrification projects (Loopmans, 2007; Loopmans, 2008). This is exemplified by the proliferation of PPPs for real estate projects that rose from 0 in the early 1990s to an estimated 48 projects in 2015 spread over 30 different municipalities relating to €70 million of municipal investments (Vlaamse Overheid and PPS, 2009; Deloitte, 2009). Financial commitment to urban development is even higher because autonomous municipal corporations and inter-municipal corporations—in which Flemish municipalities participated for respectively €0.9 and €4.5 billion in 2014—usually dedicate a certain, but impossible to estimate, part of their activities to urban (re-)development (Agentschap Binnenlands bestuur, 2016).

The Dutch central government has been financially committed to urban policy. These funds (*Sociale Vernieuwingsbeleid* 1990—93; *Grotestedenbeleid* I-III 1994—2009; *Investeringsbudget Stedelijke Vernieuwing* 2000—2014) still aim to support low income groups, but the policies themselves are increasingly aimed at improving urban economies or spurring gentrification (Hochstenbach, 2016; Aalbers, 2011b). Accordingly, in the late 1990s Dutch municipalities started to use PPPs to participate in urban (re-)development. However, data is fragmented: both the amount of and municipal investments in PPPs is probably much higher than respectively 14 and a couple of hundred million euro as listed on the government website on PPPs (PPS Netwerk, 2016). In sum, central/federal government since the late 1990s has become more supportive for entrepreneurial solutions. Accordingly, municipalities in both countries have adopted instruments to participate into urban (re-)development projects that usually aim to make their cities more competitive.

In conclusion, on the one hand, municipalities in both countries experience dynamics that make the entrepreneurialisation and subsequently financialization of urban governance related to urban development more likely. On the other hand, legislation and monitoring by federal/central government agencies seems to—in line with other European municipalities—“ring-fence” (Allen and Pryke, 2013) municipalities from predatory finance. Nevertheless, in both countries supervision excludes finance related to land activities and it could be that the rise of entrepreneurialism seduces local governments to find new income streams. Hence, the next sections give a rich history on urban governance related to urban development in respectively the Netherlands and Flanders in order to analyse whether Peck and Whiteside’s dimensions of financialized municipal governance (Table 6.1) are observable in the Low Countries.

6.6 Connecting municipal finance to financialized real estate markets: the Netherlands

Section 6.6.1, based on a thorough literature study, describes how Dutch local governments adopted pro-growth policies and connected themselves with financialized real estate market through active land banking. Section 6.6.2 tries to better understand the financial dimension of this connection through the study of the extreme, but not exceptional, case of Apeldoorn enabling to present a perspective on a European variegation of the financialization of urban governance in Section 6.6.3.

6.6.1 The public land development model

As discussed above, on the one hand, Dutch municipal budgets are still largely contributed to the provision of public services and the rise of predatory municipal finance has not been empirically observed yet. On the other hand, other factors that underpin the neoliberalization of urban governance related to urban development such as financializing real estate markets and supra-local funds prioritizing entrepreneurial goals are clearly observable. By analysing the changing role of municipalities within urban development this section illustrates how municipal land banking has become the crucial instrument that connects Dutch municipal finance with financialized real estate markets.

As a densely populated, small country that has a long history with the creation of collective water protection systems the Netherlands has a long and enduring support for urban planning. Strong fiscal centralisation and a central state providing local services has created strong “interdependencies between cities and the central state” (Uitermark, 2005, p. 155) making urban policy a national priority. In the 1980s this policy aimed for compact cities through restrictive planning and urban renewal projects with co-government between municipality, province and central state as underlying principle. But, also through public investments to spread wealth equally and a massive system to subsidize (the development of) affordable housing by large developers, mainly owned by municipalities, housing associations and private/institutional investors (Hajer and Zonneveld, 2000; Taşan-Kok and Korthals Altes, 2012).

In the Public Land Development model (hereafter PLD) planners from the central state decided where and what to build whilst the municipality bought and re-zoned the land, readjusted parcels and sold them (Halleux et al., 2012). For doing so, municipalities were financed by state banks and held eminent domain power to obtain land. Through municipal land banks (*grondbedrijf,* hereafter land bank)[10] land was

[10] A *municipal land bank* is an administrative entity and/or an organizational entity that contains the land activities of a municipality (Enquetecommissie Grondbedrijf, 2012, p. 71)

acquired for relatively low prices, and, as the difference between cost price and market value of building sites was usually small private developers did not challenge this model: profits were made in construction (van der Krabben and Jacobs, 2013; Louw et al., 2003; Needham et al., 2011). As long as projects were profitable municipalities recovered the cost for public works (including social housing), and, sometimes also realised other policy goals (Buitelaar and Bregman, 2016). Municipalities were both a planning agency deciding about rezoning and investor in land through their land banks increasingly shifting the focus towards the profitability of plans (Segeren et al., 2005; van der Krabben and Jacobs, 2013).

During the 1990s the central Dutch state transferred some of its responsibilities around urban planning towards provinces, institutions (e.g., PBL) and semi-public institutions as housing associations. But, more importantly, the Dutch planning paradigm shifted—in line with a neoliberal turn in national politics—whereby enhancing competitiveness became a main objective and state agencies opened up for market oriented solutions (Zonneveld and Evers, 2014; Hajer and Zonneveld, 2000; Gielen and Taşan-Kok, 2010). Economic and population growth, waves of privatisation and reregulation set in motion, among other things, a debt fuelled real estate boom (Engelen, 2015; van Loon, 2016) and PLD morphed into a model that increasingly facilitated the interests of real estate developers, financial actors, and, municipal pro growth policies (van der Krabben and Jacobs, 2013; Janssen-Jansen et al., 2012; Buitelaar and Bregman, 2016).

To finance pro-growth ambitions that were usually based on (prestigious) real estate and infrastructure projects municipalities tried to increase revenue streams that they could spend autonomously. The most sizeable, and easiest to manipulate, revenue stream is land banking: at the highest point all municipalities owned in 2010 in total for €12.7 billion in land to be developed (see Figure 6.2). Land had become increasingly lucrative as continuously rising real estate prices widened development margins (Janssen-Jansen et al., 2012; Buitelaar and Bregman, 2016). In the 1990s private developers started to contest the eminent domain power of municipalities that, legally, is only valid when the landowner him/her self is not able to develop a plan. New national planning policy (VINEX) not only intentionally restricted new developments to specific areas enabling municipalities to extract higher land gains that could be used to develop better infrastructure. It also stimulated large scale urban development projects, the so called "area developments" (Buitelaar and Bregman, 2016; Louw et al., 2003). However, to the surprise of government agencies, developers started to buy large plots of, usually rural, land obtaining a powerful position. Developers allowed the municipality to buy the land from them "against a price more or less similar to their costs in acquiring it. The municipalities continued with their role as public land developers and sold, after servicing the land, building sites against full market value to the same commercial developers" (van der Krabben and Jacobs, 2013, p. 780). Thus, this re-newed way of developing not only required the need for local authorities and developers to develop long-term relationships, it also created large profits for developers as there was a wide gap between the 'full market value' developers paid to municipalities and the profits developers realised on selling completed properties. Embedded within a strong corporatist tradition these ties became so close that some municipalities started informing favoured developers so they could buy land in future development areas to protect it "from being snapped up by 'hostile invaders'" (Taşan-Kok and Korthals Altes, 2012, p. 1275).

In urban development municipalities play a pivotal role: they grant zoning/building permits through the urban planning process and speculate–through their land acquisitions—on land value increases. To spur development municipalities and provinces used very bright future scenarios thus creating a model of "over-optimistic over-zoning" (Janssen-Jansen *et al*., 2012, p. 2). As long as real estate prices increased the optimistically calculated profits were realised. Also, under close supervision of central and local state agencies the development of large projects usually went relatively efficient producing a high quality built environment and sharing the profits between public and private actors involved (Taşan-Kok, 2010; Doucet, 2013). A substantial part of the municipal development gains was used to subsidize non-profitable investments such as affordable housing, and another share–€3.2 billion between 2004 and 2008–was used for prestigious new buildings such as city halls and theatres (RFV, 2015).

Excessive debt generation masked that real population and economic growth was not strong enough to sustain the–to a certain degree–fictitious real estate prices (Janssen-Jansen et al., 2012; van Loon, 2016). With property values decreasing municipalities discovered an important caveat within their building claim contracts with developers which did not enforce a time-limit on the re-transferring of the to-be-developed land to developers. As developers decided to wait municipalities had to pay finance costs for land that could remain un-developed creating €3.3 billion in losses for municipalities between 2009 and 2013 putting some of them under special supervision and leading to severe austerities on public good provision (RFV, 2015; Dijken et al., 2011). The general government reaction was not to restrict municipal involvement into land markets but to make development profitable again (Janssen-Jansen et al., 2012; e.g., Dijken et al., 2011). The creation of high real estate investment value remains a central goal and the central state supports "other state agencies with knowledge and experimentation and the development of alternative forms of financing and new revenue models" (Het Ministerie van Binnenlandse Zaken en Konikrijksrelaties et al., 2011, p. 3).

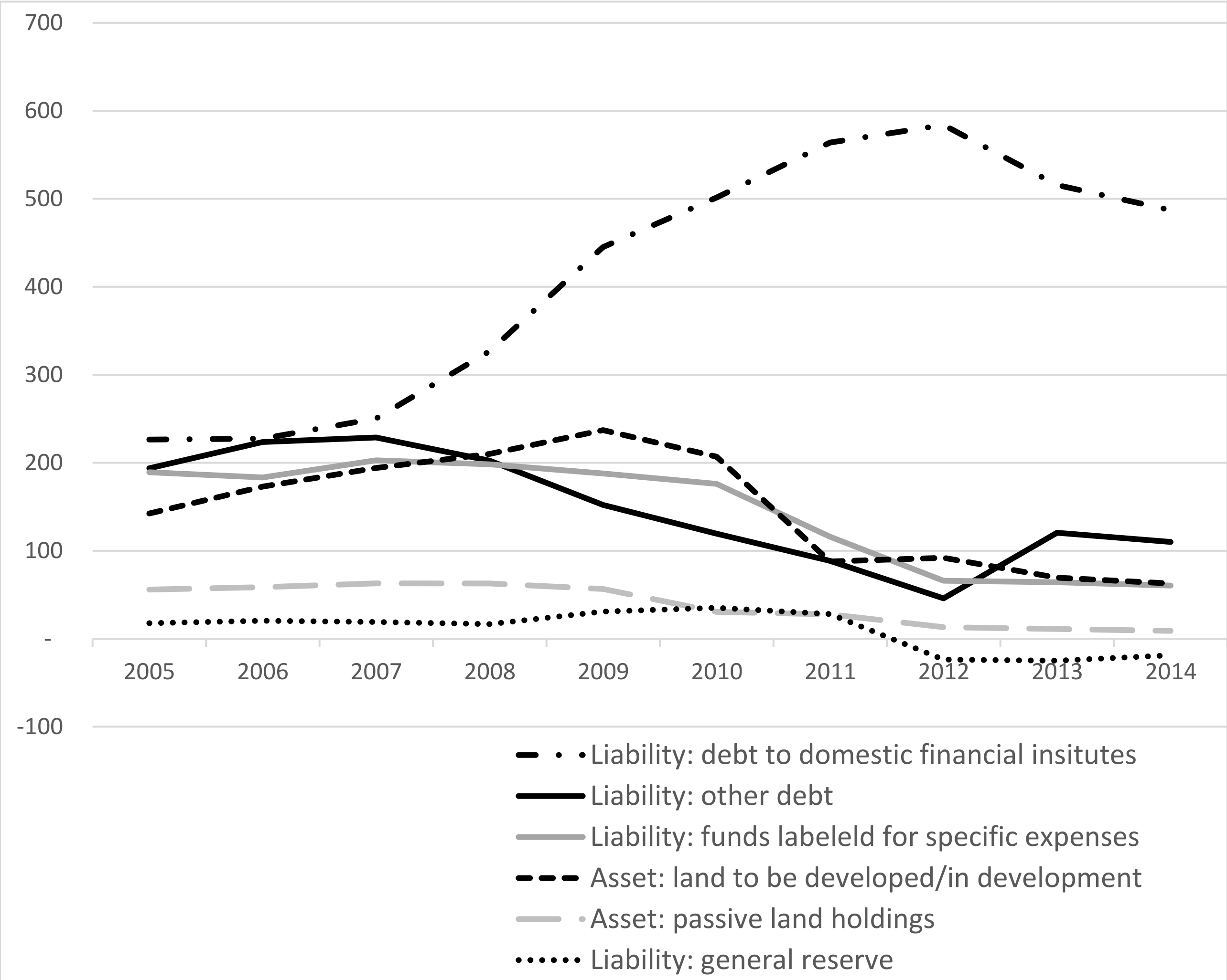
This section has illustrated how Dutch municipalities have adopted a pro-growth, entrepreneurial stance to profit from widening margins in urban development. For doing so, PPPs were introduced, but, more crucially, municipalities became active actors on financialized real estate markets through large land purchases through their land banks. Municipalities became both the regulator of real estate markets and profit seeking actors thereby adopting a bright perspective on the future. Urban planning started to revolve around investment logics (cf. Chiapello, 2015). Still, as municipal finance itself was too a large degree ring-fenced from predatory finance it remains unclear how urban governance could open up for financialization processes. The next section sheds light on this by presenting (financial) analyses on the case of Apeldoorn demonstrating how land banking can connect municipal finance with financialized real estate markets

6.6.2 Apeldoorn's municipal land bank

> The core of the problem is a too ambitious municipal growth-target that was translated into large municipal land purchases. The possible profits from these land activities were estimated unrealistically high and never adjusted properly. (Enquetecommissie Grondbedrijf, 2012, p. 44 translated by author)

Apeldoorn the 11th largest city of the Netherlands (population approximately 160,000) is an extreme—at least concerning the financial consequences and disregard of risks—but not exceptional case as many other municipalities used their land banks in

Figure 6.3 Important developments on Apeldoorn's financial balance sheet (in mln Euro)



Source: Annual reports City of Apeldoorn; CBS (2016) similar ways to get involved in 'active land use policies' adopting aggressive pro-growth policies (cf. Janssen-Jansen et al., 2012). At the dawn of the 21st century the municipality of Apeldoorn formulated strong pro-growth ambitions adopting a bright perspective on the future stipulated in the vision "Apeldoorn 2020" that set out to improve Apeldoorn's green areas, conditions for living, working and leisure thereby emphasizing Apeldoorn's green urbanity and centrality within a 'triangle' with Deventer and Zutphen (City of Apeldoorn, 2016a; City of Apeldoorn, 2001). Based on an optimistic future scenario Apeldoorn calculated a high demand for business parks/semi-industrial real estate, offices (320,000 m2) and residential units, see Table 6.2A.1/6A.3 (City of Apeldoorn, 2001).

The municipal land bank became the crucial element to realize these growth-ambitions and capture land value increases. To take control over spatial development—including dividing its costs and benefits—Apeldoorn's urban planning department had, in line with practices in many other Dutch municipalities (Dijken et al., 2011; Segeren et al., 2005), a double-function. Namely, to advise the City Council and Municipal Executive Board on urban planning affairs and to be responsible to achieve land gains through buying land or using existing holdings, prepare them for (re-)development, and then (re-)sell them to developers. Within this scheme the land bank is the organizational and administrative entity through which the land activity gains and losses of the municipality of Apeldoorn are administrated. Organizationally, it is a loose gathering of different project administrations: civil servants did not work directly for the land bank. Below, it is argued that this loose organizational structure combined with bureaucratic calculative practices functioning as "a commercial entity within a public house" (Interview), "that became increasingly dis-embedded from the regular bureaucratic organization" (Interview) enabled over-optimistic growth ambitions to grow into excessive risk taking through large municipal investments into land.

Unprofessional land acquisition. As poorly coordinated entity civil servants related to the land bank made unprofessional decisions that raised land acquisition costs and risks related to land holdings. As civil servants did, for instance, not make use of external valuation advice or realtors they bought land for high prices. But, also, the prognoses of Apeldoorn itself—that were already rather optimistic (compare lines Table 6.2A.1 with 6A.2 and 6A.3 with 6A.4)—were ignored: by 2006 Apeldoorn owned 218 hectares for business parks, enough to sustain the calculated demand for far beyond 2020 (Enquetecommissie Grondbedrijf, 2012, pp. 225–239). Interaction of civil servants with private developers was also rather naïve. For instance, in 1993, civil servants started to buy as many disconnected plots of land as possible for the project Zuidbroek aiming to exclude land speculators by getting control over the entire area. However, a private developer held a building claim over the largest part of the Zuidbroek plan area. The land bank bought the developer's land still respecting the developer's building claim but not negotiating a term to start construction.

Table 6.2A Over-optimistic planning.

	2000	2001	2002	2003	2004	2005
1. Residential units needed following "Apeldoorn 2020"*		850	730	730	730	1100
2. Residential units constructed	539	746	392	487	714	325
3. Hectares of business park needed following "Apeldoorn 2020"*	*<2005 only prognoses for '98-'20: 160*					
4. Hectares of business park constructed		4,2	4,2	4,2	4,2	4,2
5. Payments ('gain-sharing') of municipal landbank to muncipal budget		7	12,5	7	10	8

continuation	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1. Residenti..	1600	1600	1600	1600	1600		540	300	460	640
2. Residenti..	559	415	869	947	453	527	431	250	322	566
3. Hectares..	13	16	21	6	11		6	1,5	6	6,5
4. Hectares..	2	12	10	1	8		6,4	2	1	5
5. Payments..	8,75	6,25	10,3	8,3	**0	0	0	0	0	2,6

Table 6.2B The financial dimension of over-optimistic planning: cummulative costs and revenues of Apeldoorn's municipal land bank.

Costs	2003	2004	2005	2006	2007	2008	2009	2010
1.1 Land purchases	204	230	261	280	304	321	346	376
1.2 Land preperation costs	65	78	87	106	136	153	183	202
1.3 Costs for planning bureaucracy	33	38	44	54	62	72	83	91
1.4 Finance costs	16	20	25	32	38	46	54	64
1.5 Realised land gains ('*winstnemingen*')	61	72	89	96	98	105	108	58
1.6 total costs	**379**	**438**	**506**	**568**	**638**	**697**	**774**	**791**
Revenues								
2.1 Residential land sold to developers	112	130	151	157	187	199	229	239
2.2 Industrial and office land sold to developers	80	81	83	86	94	109	111	122
2.3 Sold, other	19	20	29	31	32	34	40	44
2.4 Contribution to reserve	39	48	53	66	69	76	92	94
2.5 Subsidies	16	18	18	23	26	30	32	45
2.6 Divers income	25	26	37	36	41	43	37	42
2.7 Totaal project revenue	**-291**	**-321**	**-371**	**-399**	**-449**	**-491**	**-540**	**-587**
3. book value municipal land bank	88	115	134	167	187	205	235	206

In these years the realised gains from land activities are lower than the obligatory-contribution' towards the general municipal budget thus decreasing the financial reserve

* >2011 based on meerjarenperspectief grondexploitatie 2013 that is based on market research by an external consultancy firm

** two incidential payments, numbers unkwown

Consequently, the developer could decide when they would re-buy the land for construction. In this period the municipality would hold the land combined with the finance and bureaucratic costs related to the land purchase (i.e., lines 1.1—1.4 in Table 6.2).

Unrealistic accounting. In 2000, Apeldoorn, in line with new central government policy, started to prioritize urban (re-)development projects to become more attractive to younger households. To increase the success of these projects Apeldoorn delayed projects at the urban edge as Zuidbroek in which it had already invested much. Moreover, the higher costs of urban (re-)development resulted in lower land gains for the municipality thus contributing less to a sound financial condition for the land bank. In Apeldoorn's own accounting these costs—between 2003—2010 €172 million for land purchases; €127 million for land preparation costs and €58 million for planning bureaucracy (Table 6.2B1.1-1.3)—were calculated as contributing to the book value of the land bank. This method of calculation whereby the book value is calculated by subtracting the revenues from the costs (see Table 6.2AB) introduced the oddity that increasing costs increased the book value. An oddity that could remain in place as long as a substantial amount of 'prepared' land was sold to developers (which was the case until 2006, see Table 6.2B1.5). Finance costs (Table 6.2B1.4) were calculated by Apeldoorn's municipal treasury through taking the general interest rate the municipality paid itself plus a margin. This interest rate—between 2003-2010 on average around 4%, see Table 6.2B1.4—was then multiplied by the total book value of the landbank. Consequently, this margin created an additional profit stream from the land bank towards the general municipal budget: "that stirred discussion within the City Council, the question arose whether the municipality was not earning money from the municipal land bank solely through borrowing money to it" (Interview).

Neglecting of risks. A land bank has to hold a financial reserve that forms the buffer between risks of land activities and general municipal finance. Apeldoorn calculated this reserve in 1999 on €11.3 million. But, despite increasing its landownership from €88 million to €235 million in book value (Table 6.2B3), never increased its reserve. Until 2006 this revolved without problems as the realized land gains (Table 6.2B1.5) were higher than the (obligatory) transfers towards the general municipal budget (Table 6.2A.5). However, in 2006 the Municipal executive board started to demand a minimum annual income from the land bank to fund its entrepreneurial ambitions for its political programme 2006—2010 (see Table 6.2A.5), while land gains were considerably lower than expected as demand for new properties was much lower than the municipality had calculated. Although various actors warned several times, the City Council did not probe the land activities critically as it shared the Municipal Executive Board's planning optimism.

As the result of the above, and in particular the neglect of the over-planning, the municipality of Apeldoorn blew its own bubble, expressed in a very high book value of land (€235 million in 2009, Table 6.2B.3) that did not express developers' willingness to buy land. But rather expressed municipal calculative practices that presented land acquired overly expensively and planning costs too high as 'investments' increasing land value but ignoring related risks. As the obligatory contribution from the land bank towards the general municipal budget and high internal finance costs had eaten away its financial reserve moderately decreasing the 'planning ambitions' to deflate fictitious values had become impossible by 2009. In addition, between 2005 and 2009 Apeldoorn invested in multiple, large real estate projects related to health care (Omni sport/health), culture (CODA museum) and education (several schools) raising its total debt considerably (see Figure 6.3) putting pressure on the general budget through higher finance costs.

In 2010 the Province of Gelderland announced new norms on regional planning capacities that put a cap on Apeldoorn's residential ambitions forcing the Municipal Executive Board to formulate more realistic growth ambitions. Severely lowering the planning capacity meant that estimated future profits became losses and Apeldoorn took "almost €200 million in losses. We took the losses at once and have been very open about the losses and their consequences" (alderman of urban planning Stukker in van Meteren, 2015, p. 0 translation by author). This devaluation is clearly observable in Figure 6.3: from €293 million municipal land holdings and non-developed land in 2009 to €115 million in 2011. Consequently, the general reserve (see Figure 6.3) became negative requiring an intervention of the province of Gelderland[11] that saw the problems relatively late as it relied primarily on Apeldoorn's external accountant who approved annual accounts/budgets and detailed analyses of land bank activities were not part of the supervision (Interview). To solve the financial problems, the municipality had to implement structural austerities of about €8 to €10 million annually to be able to solve its deficit by 2022. For doing so, among other things, municipal staff was reduced considerably, budgets were cut in particular related to culture, education and urban planning (i.e., decrease of money labelled for specific expenses in Figure 6.3) and local taxes were also severely increased (City of Apeldoorn, 2016b). Financial prudency is still the most important issue: there is no funding yet for 'new policy initiatives' (City of Apeldoorn, 2016b). The City Council also completed a local enquiry (Enquetecommissie Grondbedrijf, 2012) leading to the resignation of the Municipal Executive Board. Another measurement was to appoint a strong financial controller and increasing transparency to establish "trust so unrealistic prognoses would become something from the past" (Interview). Also, Apeldoorn decided to take a passive role in urban development putting a halt to its active land banking (City of Apeldoorn, 2013).

[11]The province is the first supra-local supervisory authority related to municipal finance, but, in case of severe problems different supra-provincial agencies are activated and ultimately the department of domestic affairs. A province has also other tasks that intervene with municipal affairs such as regional planning and the redistribution of subsidies.

However, as Apeldoorn only devaluated and not sold its land holdings the shift towards passive land policy is slow and the seduction to start profiting from recovering real estate markets high:

> it is not unrealistic to think that when better times arrive, in the sense that Apeldoorn attracts more people and becomes more attractive for corporations, and local politicians see the real estate developers arriving in their Maseratis again, that we all are seduced to start active land banking again. (Interview)
>
> I think about that differently, because after everything we have been through in Apeldoorn the decision to start active land banking again would be a very hard decision for the City Council. I don't see that happening soon. (Interview)

6.6.3 European style financialization?

The sections above aimed to bring the Dutch case in conversation with the American literature through studying the genesis of financialization processes in urban governance related to urban development. This demonstrated how most wider processes and changes that caused the financializing of American urban governance are clearly observable in particular financialized real estate markets and the systematic reproduction of more market oriented attitudes and policy instruments in regard to urban development. However, although financial liberalization has led to the rise of predatory finance in other domains, an extensive inter-municipal financial solidarity system supervised by central state agencies and financed by the (local) state-owned BNG Bank have ring-fenced municipalities from direct interaction with financial actors. As the case of Apeldoorn illustrates, after large financial losses not financial actors took over but the supervisor, the province of Gelderland, while BNG Bank continued borrowing at the same interest rates as to other municipalities (Vos and Westerhuis, 2014 interviews). Consequently, in the case of all Dutch municipalities, despite large losses on land holdings finance has not taken over and general municipal budgets are still largely contributed towards managerial tasks (see Figure 6.3).

However, what is clearly observable is how municipal finance became, through municipal land banks, connected to highly leveraged and volatile real estate markets creating substantial public profits during booms and considerable loses during the downturn. By neglecting risk-management, through unprofessional land acquisition that led to high land purchase costs and calculative practices that presented bureaucratic costs as increasing land values risks of these real estate markets became closely connected to municipal finance. It also shifted the focus form urban planning as the provision of public good towards a search for models to extract profits from increasing real estate prices. In contrast with the USA, this dominant governing rationality (Table 6.1.5) does not relate to financial actors (that do profit through increased possibilities for debt production or property investment opportunities) but to the interplay between local politicians/civil servants with land owners and private developers thereby introducing excessive municipal risk taking. Crucial techniques

(Table 6.1.6) are the municipal land banks combined with urban planning capacities especially re-zoning and the building permit application system connecting municipal finance closely to financialized real estate markets. These land banks are primarily steered by the Municipal Executive Board (especially the alderman of spatial planning) and some highly placed civil servants within the land bank possibly moving political dynamics (Table 6.1.7) beyond local control through the City Council. Consequently, usually active municipal land banking prioritizes profitability over public good provisions through urban planning. In contrast with the USA, these processes did not set in motion intense intra-urban competitions leading to fiscal balkanization as supervisory bodies, in particular provinces, still put the sharp edges of urban competition.

The next section presents the Flemish experience with transformations in urban governance related to urban development exemplified through the case of Antwerp. This enables to present some thoughts on similarities and differences in the use of municipal instruments to steer urban development in section 6.8.

6.7 The entrepreneuralization of Flemish (sub-)urban (re-)development

Section 6.7.1 first shows how in the laissez-faire mode of (sub-)urban development Flemish municipalities only played a facilitating role. During the 1990s, however, the mode of urban development morphed towards a more entrepreneurial mode in which state agencies started playing a more prominent role. Section 6.7.2 analyses the genesis of Flemish urban entrepreneurialism through the case of Antwerp arguing that there was first a mode of social entrepreneurialism focused on spatial quality, but, since 2012 a mode in which private interest of developers prevail showing remarkable resembles with American entrepreneurialism.

6.7.1 An entrepreneurial stance towards urban (re-)development

Section 6.5 indicates that during the 1990s the Flemish and Belgian government has invented urban policies and related funding that, in the 2000s increasingly became labelled for entrepreneurial projects especially observable through the mushrooming of PPPs. PPPs are now a common tool in urban (re-)development. Municipalities, for example, often bring old municipally owned properties into a deal with developers that allow them to negotiate terms around spatial quality that reach further than the regular planning tools but also introduce real estate risks for the municipality. Still, this section will show that autonomous municipal real estate organizations play a crucial role to understand how Flemish municipalities adopted a more market oriented attitude towards urban development, and, also, started to actively operate on real estate markets.

A long and rich history of policies promoting both home ownership and self-provision established a deep need for both home ownership and self-building of preferable detached houses among Flemish households (cf. De Decker et al., 2005; De Decker, 2011). Also, small, private landowners have been dominant over urban planning allowing the continuous growth of urban sprawl. Land was seen as “an abundant consumable commodity" (Franzen and Halleux, 2004, p. 53), a legitimate source of profit and the institutional framework allowed households (i.e., small, private landlords) and construction firms to build real estate to their likening. House prices followed an economic model based on a vast supply of land: the further away from the urban centre the cheaper the land became, resulting into a lot of 'spatial waste', inefficiency, and congestion (De Decker, 2011, Halleux et al., 2012). The non-development of urban policy led to persistent urban problems and created "an astonishing indifference to or ignorance of what happens in the cities of one of the most urbanized areas of the world" (De Decker et al., 2005, p. 159) resulting in high levels of socio-economic segregation (van Hamme et al., 2011; Kesteloot and Saey, 2002). Whereas in the late 1980s urban planning related to housing was minimal, central state agencies did have planning policies mostly related to investment policies especially around industrial activities. As economic policy became a regional responsibility, attention shifted to policies aiming to modernize Flanders economy especially trough innovation and cluster policies opening up for neoliberal ideologies (Oosterlynck, 2010). This created opportunities for state agencies to influence urban development and, in addition to the old, laissez-faire mode of suburban development, since the late 1990s more urban forms of residential real estate started to outpace the production of traditional suburban developments (Ruimte Vlaanderen, 2016).

The election victories of the extreme-right-wing party Vlaams Blok starting in the late 1980s did set in motion the creation of urban policy. Vlaams Blok's voters were predominantly located in poor, urban neighbourhoods creating a feeling of urge within the traditional anti-urban political parties to start paying attention towards urban policy to improve conditions of the poor (De Decker et al., 2005; Christiaens et al., 2007). This resulted into the development of planning instruments and funding for local governments aiming to improve social and urban conditions through urban projects enabling social-innovative forms of urban (re-)development that aim to put the quality of social relationships central (Moulaert and Nussbaumer, 2005; Debruyne et al., 2008).

Since the late1990s both central and local state agencies started to shift towards "a more pro-urban and entrepreneurial approach" (Loopmans, 2007, p. 215). Public funding is redirected less towards supporting the poor, and more towards (re-)development projects that aim to attract higher income groups (Verdonck and van Droogenbroeck, 2011). New legislation not only allowed municipalities to become active in PPPs, it also created the opportunity to set up autonomous municipal corporations (*Autonome Gemeentebedrijven,* hereafter AG*)* that were first used to develop infrastructure and public buildings in an optimal way fiscally (Taşan-Kok, 2010). Soon, primarily larger cities used these corporations as an entity to become active in real estate investing/development. Smaller municipalities often opted for a different construction, namely to work together through inter-municipal cooperation-entities *(intercommunales*) in often more suburban development projects.

The AGs are separate entities giving them more flexibility and less accountability to City Councils while the municipality is the sole shareholder. Usually, they play a key role in larger urban real estate (re-)developments, as (advisor to the) planning agency and real estate developer by actively buying land/properties and (re-)developing new properties, or by participating, often with various other semi-state agencies in PPPs (Loopmans, 2008; Taşan-Kok, 2010). The entity of an AG allows to "react in a more flexible way on opportunities than existing bureaucratic structures allowed" (Interview). And, although there is supra-local supervision over the annual accounts of AGs their consolidated balance sheets are excluded from calculating the balanced budget so crucial for supra-local supervision thereby creating a realm for municipalities to become creative with finance (Leroy, 2015).

Both the origination of PPPs and municipal real estate corporations has moved the decision-making process around urban development into a new, multi-actor and multi-scalar, institutional setting giving a selective group of (semi-)private actors (primarily developers, investors, AGs and landowners) and individuals within state agencies (primarily mayors, aldermen, engineers, ministers) considerable power. This room to manoeuvre for individuals is increased by the fragmented governance system in Flanders that consists of a complex web of institutions that relies on ad hoc organisation of relationships (Taşan-Kok, 2010). Moreover, as planning laws can still be interpreted rather differently depending on place and local political forces projects sometimes have unexpected, contested outcomes (de Vries, 2015). Although power-constellations differ from project to project, in general, it means that urban development is managed by a technocratic elite that is primarily concerned with the profitability of projects and their prestige: a project's ability to put a city on the map (Block et al., 2012). Put differently, the decision making process around urban development seems to take increasingly place in a post political realm of public and private planning-technocrats forming local growth coalitions (Haughton et al., 2013; Oosterlynck, 2010). However, this process is geographically variegated, as in larger Flemish cities, with a more profound history of social innovation, these type of projects still have meaningful social components (Loopmans, 2007).

This section indicates that in particular in larger Flemish cities a wide range of entrepreneurial tools has become/is available for local politicians to steer urban (re-)development. The crucial instrument is the autonomous real estate corporation (AG) within larger cities and inter-municipal cooperation-entities *(intercommunales*) within smaller municipalities[12]. But, it is unclear how these entities connect municipal finance with local real estate markets. The next section tries to shed light on these connections by analysing one of the largest real estate AGs, AG Vespa in Antwerp.

[12] Intercomunales are extremely interesting entities to further research. However, within the scope of this project it was only possible to focus on one entity and as discussed in the introduction, the case of Antwerp was seen as most fruitful.

6.7.2 A municipal instrument to steer urban development: AG Vespa

Antwerp, the second largest city of Belgium (population approximately 517,000) is, in contrast with most other Flemish cities, rather internationally oriented, has neighbourhoods were much poverty is concentrated and intense competition with surrounding suburbs created a more profound form of entrepreneurialism (Maesschalck, 2011). Moreover, Antwerp has a problematic history with debt creating a continuing conscience about the risks of opportunistic financial decisions. Nevertheless, the analyses are centred on Antwerp's municipal real estate corporation AG Vespa that has become, in line with other larger Flemish municipalities, a popular instrument to steer urban development. Accordingly, it is expected that findings from the Antwerp case could be relevant for a better understanding of all real estate oriented AGs in Flanders.

The origination of urban policy and related supra-local funding was welcomed by Antwerp as it struggled with both persistent urban problems and high levels of debt that required continuous structural austerity programmes since the late 1980s onwards. The European Union fund Urban I starting in 1994 could be seen as a critical moment as the EU not only required 83% of additional local/federal/national funding for the realisation of social urban projects (AG Stadsplanning, 2012; Christiaens et al., 2007). But, more crucially, the requirements of Urban I forced state agencies into cooperation and professionalization as it demanded an integrated approach towards neighbourhood vitalization and realisation of projects within a relative brief time horizon. To realise these goals it was necessary to set up new municipal entities that would during the 2000s evolve into the crucial municipal instruments for urban (re-)development: AG Vespa (2003) and between 2009—2014 also AG Stadsplanning (Van Den Broeck et al., 2015).

Until 2003 "[public] money was the engine of large urban development projects. As most expertise was concentrated among civil servants who became urban planning professionals, they were more in power than the local government" (Interview). There was widespread consensus among both local government and the professionalizing planning entities that social goals should be central and funds primarily flew to disadvantaged neighbourhoods. These social goals were combined with physical interventions that emphasized spatial quality: social innovative urban (re-)development (Christiaens et al., 2007; Van Den Broeck, 2011; Moulaert and Jessop, 2013).

In 2003 the new social-democratic mayor Janssen installed a pragmatic approach centralizing the City's authority and putting real estate projects central to attract the "more vital population" (Anciaux in Loopmans et al., 2010, p. 193). Supported by changes in supra-local urban policy, i.e., making PPPs possible in 2002 (Taşan-Kok, 2010), and in supra-local funding, i.e., from SIF funding social projects towards City Fund and Big Cities Policy putting more emphasis on funding urban (re-)development to attract higher income groups (Loopmans, 2007), from Urban I to Urban II that stimulates to realise more "spectacular projects for a wider audience" (Interview) such as the MAS-museum, Antwerp started to prioritize the improvement of liveability through solving safety-issues, improving public space and prioritizing spatial quality. But, elements of the social-innovative approach remained in practice, and AG Stadsplanning had a powerful role whereby spatial quality considerations where often prioritize over the profitability of real estate projects (Van Den Broeck et al., 2015).

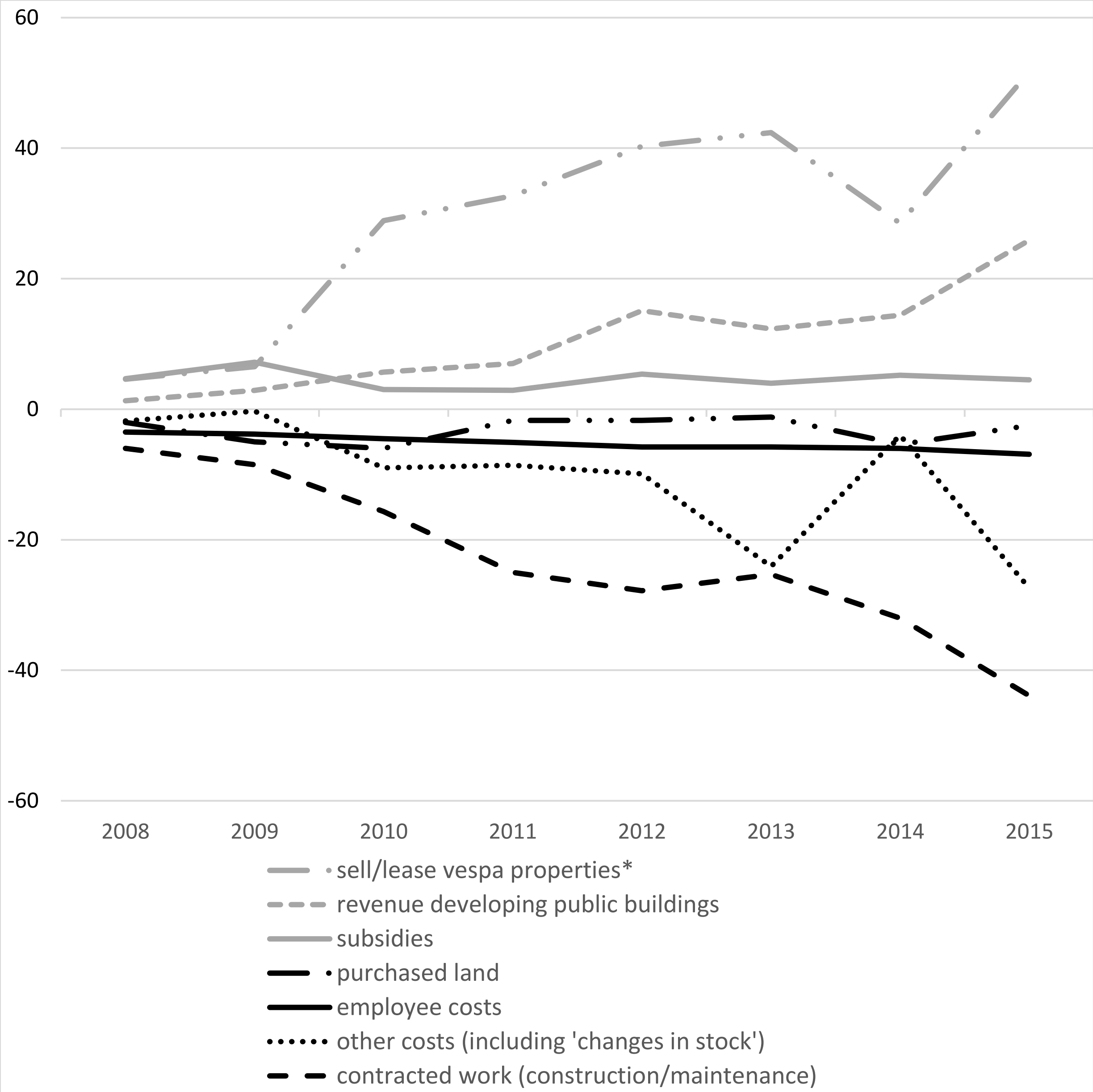
The 2012 elections put, for the first time since long, a non-social-democratic mayor in power, de Wever of the Flemish nationalist party (NVA), who continues “to bring forward large-scale and ambitious projects” (Clark et al., 2016, p. 20). However, for doing so a new attitude is introduced that prioritizes close corporations with private developers whereby often developer’s interests become dominant (Cochez, 2016; Cochez and Timmermans, 2014 Interviews). Crucial are cutbacks and the closing of AG Stadsplanning–that guarded over spatial quality—into AG Vespa moving the decision making process around urban development into the ‘backrooms’:

> In the past, the private contribution to public space was first negotiated by AG Vespa/AG Stadsplanning and then accepted by politicians. Nowadays these negoitations take place between private developers and politicians in restaurants. So, that is a different procedure in which private interests are more powerful. On the other hand, private actors also help to bring back private capital to the city, it is another question whether the projects they finance are good for the city. (Interview)

The discussion above shows that the municipal real estate corporation AG Vespa has been used differently, depending on the specific aims of the Municipal Executive Board. The remainder of this section tries to shed light on how AG Vespa is connected to municipal finance and Antwerp’s real estate market by discussing Vespa’s history and crucial financial elements displayed in Figures 6.3 and 6.4.

The execution of the integrated approach the Urban I programme required, made clear that actively buying, (re-)developing and selling properties was extremely difficult within the regular City-administration (Interviews). As the new, national Big City Policy launched a revolving fund that enabled municipalities to buy, renovate and sell properties to improve neighbourhoods AG Vespa was set up in 2003 with the important task to actively (re-)develop residential units (398 between 2003-2013) and public buildings (17 in the same period) in deprived neighbourhoods: as the grey and black striped lines in Figure 6.4 indicate, much of the income and expenses of Vespa relates to this activity. The aim was to upgrade specific key properties—often corner buildings—through high quality architecture and selling them at a loss to higher income groups with the aim that their presence would put in motion processes that structurally upgrade these disadvantaged neighbourhoods (Loopmans, 2008), i.e., to practice “urban acupuncture” (de Ridder, 2015). The national Big City policy was regionalized in 2014 and halted, hence, the revolving fund—exemplified through the treasury on Vespa’s balance sheet—now slowly starts to dry out (i.e., Treasury in Figure 6.5 from €95 million in 2013 to €71 million in 2015). However, late 2016 the

Figure 6.4 Income and expenditure AG Vespa (in million Euro).



Source: Annual reports AG Vespa

Flemish government decided to re-activate this funding probably spurring AG Vespa's urban acupuncture activity.

With the creation of AG Vespa the municipal real estate expertise became concentrated within a professional organization to smoothen the urban planning process making it more attractive for private actors to participate (Taşan-Kok, 2010). The entity of an AG enabled to attract real estate and planning professionals as AGs don't have to obey civil servants labour contracts allowing to offer "a flexible and competitive HR-management" (Stad Antwerpen, 2007, p. 61 translated by author). This decentralization also enabled to "act more in line with the ideas of the autonomous organization than to act completely in line with politics, with the operating programme: it offers the opportunity to run parallel" (Interview) partly transferring municipal influence over urban (re-)development towards the civil servants within AG Vespa and AG Stadsplanning that guarded over spatial quality (AG Stadsplanning, 2012). In this respect, especially the transferring of municipal properties, the related loan and the valuation of these properties created a more powerful position for AG Vespa (see below) while the high spatial quality requirement increased AG Stadsplanning's position vis-à-vis the Municipal Executive Board. Still, the Municipal Executive Board remained in control over both AGs (cf. Van Den Broeck et al., 2015).

Also, the entity of an AG enables a municipality to become active on land markets, and, as the black striped/dotted line in Figure 6.4 indicates, in the period between 2008-2015 Vespa bought €25.5 million of land for (re-)development projects also participating in larger urban projects. Still, land holdings are relatively small compared to the large property portfolio for which Vespa became responsible in 2010 (see Figure 6.5) when properties that had become abundant as the result of municipal re-organizations together with some let properties were transferred to AG Vespa with the specific aim "to activate and optimize the City's real estate portfolio by improving letting conditions or improving sales revenues and speeding up both processes as the City needed money for its austerities" (Interview). The properties were valued at €129 million by Vespa (AG VESPA, 2011), but as this had to be done in a short period:

> that took place on the basis of rough estimations: one estimation was more detailed than the other … but, for other properties, we have to conclude that they miss-estimated the values. (Interview)

The transfer included a special loan of €100 million that had to be repaid through income generated from the properties together with the requirement to transfer rental/sale-income whereby a minimal engagement was set on €8—€10 million annually between 2010—2014 and on €4.5 million from 2015 onwards (which is much lower than the realised income for rental/sale; grey striped/dotted line in Figure 6.5). However, unexpected tax costs of €2 million between 2010-2012 (Interview) stimulated actors to find more feasible constructions:

> to find a solution that minimizes the payable taxes a construction has been made that is a mixture of capital provision and a subordinated loan. The instrument of an AG enables this tax optimizing behaviour. (Interview)
>
> for example, to transfer rental income flows on an annual basis from the AG to the City so the City does not have to pay taxes over rental income. And, to compensate the income from property sales by paying back the subordinated loan partly. (Interview)

As Figure 6.5 illustrates, this transfer created a sizeable balance sheet increasing the power of AG Vespa vis-à-vis private real estate actors but also within the City of Antwerp. But, also the extensive balance sheet of AG Vespa now makes the City itself more vulnerable for downturns on Antwerp's real estate market, for instance, when projected sale prices would be lower than expected. Still, almost all of the liabilities displayed on Figure 6.5 exist of internal loans/capital provision to optimize fiscal arrangements between Vespa and the City: since 2009 there is only one loan of

€4 million from an external provider, ING, used to purchase land for a project. On the asset side the treasury is invested in a mixture of deposits, bonds and saving accounts creating some financial risks.

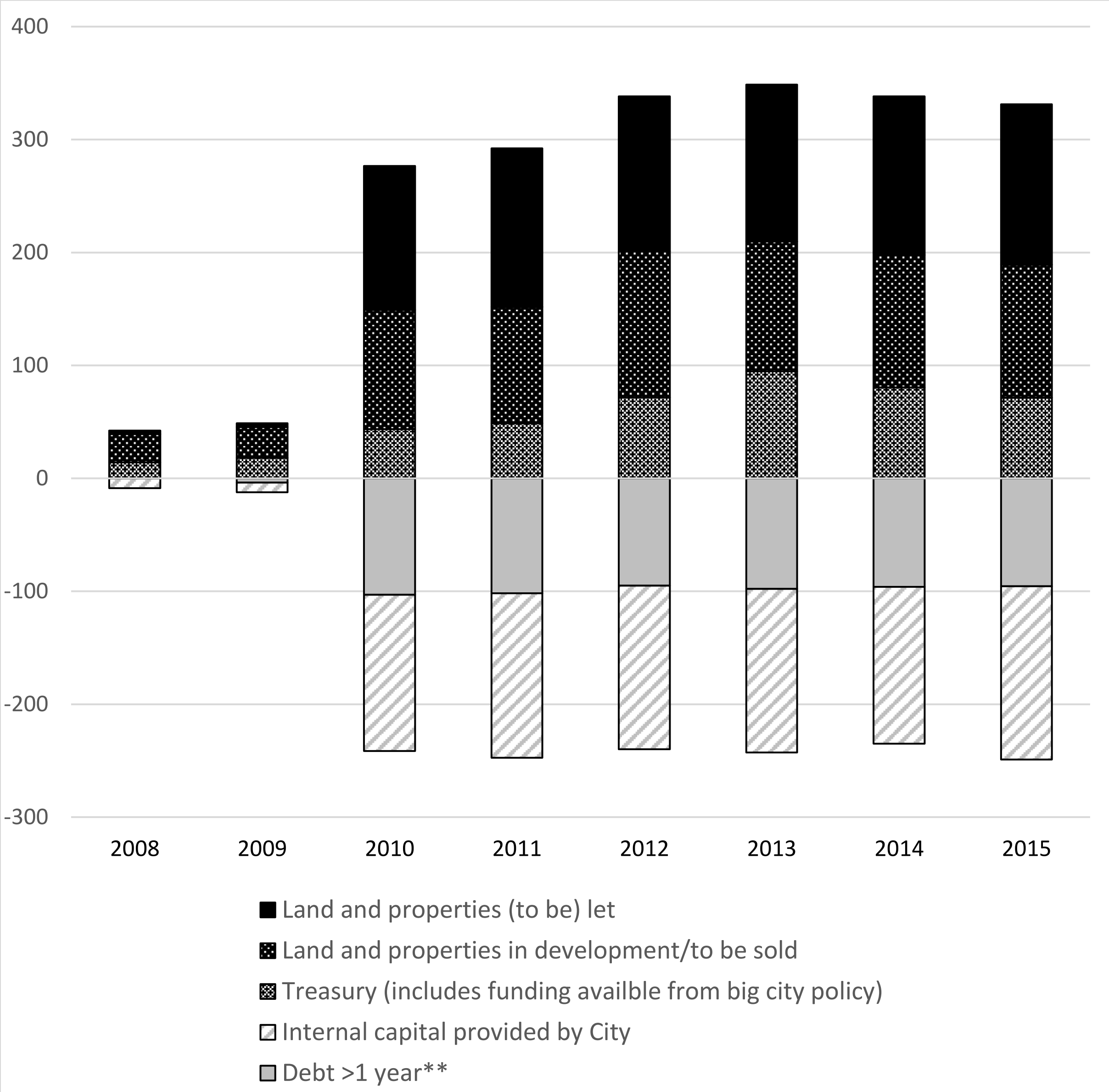
Vespa's large balance sheet combined with a new Municipal Executive Board that prefers to deal more directly with private developers and aims to realise larger projects could transform Vespa into an instrument to generate income from a continuously booming Antwerp real estate market. These rising real estate prices seem to mask that a sophisticated framework to protect Antwerp's municipal finance from real estate market risks is missing, while also the efficiency and effectivity of the current mode of municipal real estate asset management could be questioned. Therefore, further analyses are needed, but, a major element lessening Vespa's exposure to risks are its low levels of external debt.

6.7.3 American style entrepreneuralism?

Section 6.5 shows that wider processes and changes (i.e., elements 1—4 in Table 6.1) that caused financialization of American urban governance are not that clearly observable in the Flemish case as it still contains important barriers towards financialization processes. The balance sheets of Flemish municipalities are, in general, shorter and do not contain complex financial instruments and much lower debt-to-income levels. But, Section 6.5 also illustrates that in line with the United States in the 1980s Flanders experienced "after-Fordist flexibliziation and internationalization" combined with periods of "weak and uneven growth" (Table 6.1.1) processes stimulating state agencies to discover entrepreneurialism to enhance economic competiveness. However, strong labor unions protected several domains from neoliberal processes, and continuing and deepening regionalization created specific local pathways whereby the Flemish real estate markets, also in downtowns, did boom but without a debt explosion. In line with American urban governance (cf. Cox, 2009; Cox, 2010) Flemish municipalities have a long history with financial and fiscal autonomy that has increased since the 1990s whereby supra-local budgets for urban development were increasingly attributed towards entrepreneurial goals (Table 6.1.2). Furthermore, as Flemish bureaucracies are typically fragmented, politicized and overruled by well-developed political offices (Beaumont and Loopmans, 2008) (individual) politicians can become powerful actors allowing market oriented 'soft' or 'flexible' planning and empowering private actors (Table 6.1.3). As central planning agencies are weak and rules are opaque with serious local differences creating much room to bargain between local politicians and real estate actors enabling regulation to take place "after the fact" (Table 6.1.4).

Section 6.7 indicates that dominant governing rationalities closely resemble American practices with elements such as "growth machine' consensus .. corporate subsidization and place marketing" and "growth coalitions, democratic deficits" (Table 6.1.5). Consequently, Antwerp's current form of urban entrepreneuralism seems to be

Figure 6.5 AG Vespa's largest assets and liabilities (in million Euro)



Source: Annual Reports AG Vespa

much more in line with practices observed in other Flemish cities in which local connections are crucial: "that means that local governments have very close ties with certain private developers, personal connections are still very important" (Interview; see also Chapter 4) and public investments are increasingly allocated to make the projects of private actors possible within a context of inter-urban competition (especially between central cities and suburbs). For doing so, besides conventional PPPs, a crucial technique (Table 6.1.6) are municipal real estate corporations that connect municipal finance with local real estate markets. The case of Antwerpen/Vespa illustrate that municipal real estate corporations can serve different political goals: from instrument to make neighbourhoods more attractive for higher income groups through an integrated approach focusing on spatial quality and social elements (under mayor Janssens) to an instrument to smoothen the development process for private real estate actors attracting more private investment (under mayor de Wever). Nonetheless, in both situations, the decision making process around urban (re-)development seems to take place within the realm of ad-hoc coalitions of influential individuals through various combinations of planning professionals, local politicians and real estate actors (Table 6.1.7).

6.8 Discussion & conclusion

Most of the urban government in the Low Countries still relates to the management of public services: maintaining the thick layers of urban economies such as employment around public good provision and protecting urban economies for downturns in global capitalism (Engelen et al., 2016; Verdonck and van Droogenbroeck, 2011). Nonetheless, maintaining spending on public services does not exclude the adoption of neoliberal policy tools and practices that changes the way in which these budgets are spend, and, consequently the effects on urban societies. Focusing on a policy domain in which municipalities in both countries have considerable influence, urban development, this chapter shows a paradox. While dominant paradigms on globalisation, European integration and financialization suggest that cities become increasingly dependent on global capitalism and penetrated by financialization processes, Flemish and Dutch cities mostly adopted pro-growth policies that aim at luring domestic flows of investments and the domestic economic sustainable population towards their territories. For doing so, real estate projects are often used. But as municipalities were ring-fenced through national regulation they were not allowed to finance their growing real estate ambitions trough global capital markets. Consequently, direct influence of financial actors on urban government, e.g., “the taking up of specific *financial* managerial practices and techniques” (Engelen et al., 2014, p. 1075) is in both countries largely absent.

Nevertheless, in line with ideas around the post political (Swyngedouw, 2009; Oosterlynck and Swyngedouw, 2010) crucial municipal instruments have been (re-)invented that move the decision making process around urban development to a realm of (semi-)public and private actors prioritizing entrepreneurial goals over public good provision (see Table 6.3). The integration of these instruments, the Dutch municipal land banks and the Flemish municipal real estate corporations, can be seen as the systematic local re-production of neoliberal urban policy tools that prioritize more market oriented solutions. The active use of these neoliberal urban development policy instruments makes municipalities active players on local real estate markets thereby connecting risks of (financialized) real estate markets to municipal finance. As sizeable parts of municipal budgets have become allocated to investments in local real estate markets, real estate risks can become excessive because these organizations have a bureaucratic perspective that neglects essential features of real estate markets, for instance, lacking a sophisticated risk management strategy. In sum, in line with the expectation from the literature also urban government in the Low Countries

Table 6.3 Variegated municipal instruments to steer urban development

	Antwerp	**Apeldoorn**
Municipal expertise around real estate markets/finance	low	low
Name instrument	**AG Vespa**	**Grondbedrijf (municipal land bank)**
Debt related to municipal RE activities	(extremely) low	high
Supra-local supervision on instrument	low	low
Power of Municipal executive board on instrument	high	high
Democratic control through city council	low	low
Openness to cooperate with private RE actors	high	high
Forced contribution to general municipal finance	Considerable lower than RE revenues; no pressure to increase profits	First in line with RE revenue, later higher than revenues pressuring to increase profits
Internal loans to entity	Considerable	Considerable with interest margin for general municipal budget
Main activity	Asset management/project management	Land speculation/urban planning
Risk management system	Absent	Only created after major losses in 2010.
Local real estate values	Continuously rising	Rising until 2010, since then decreasing
Shared outcomes	Instruments connect municipal finance with local real estate markets and enable to profit from rising real estate values;	
	instruments open up possibilities to more closer cooperation with private actors;	
	instruments create a realm for bureaucratic calculative practices related to real estate finance	

experienced a wave of neoliberalization since the 1990s that made the introduction of entrepreneurial tools to steer urban development more feasible.

Analysing the specificity of both cases enables to discuss two variegated, European versions of, to a certain degree, financialized and entrepreneurial urban governance around urban development. Dutch urban government around urban development has experienced some similar stimuli as the US to financialize especially heavily financializing domains of its political economy, debt-fuelled real estate bubbles and a discourse emphasizing the exchange value of land. However, crucially, as Dutch municipalities are to a high degree ring-fenced from interaction with financial actors whole-sale American-style financialization of urban governance has been impossible. Also, enduring institutional frameworks based on inter-municipal financial solidarity still offer an "infrastructural baseline that mitigate[s] the sharpest edges of uneven development" (Kirkpatrick, 2016, p. 48). Nevertheless, Dutch municipalities adopted an urban development model in which they used municipal land banks to purchase large land holdings and their planning authorities to re-zone especially agricultural land into more profitable uses. Consequently, instead of tempering euphoria within real estate markets state agencies have made increasing euphoria a policy priority. (Semi-)private and public actors have collectively embraced an economic growth model based on excessive real estate debt creation in which the production of new real estate was a crucial element. Once the Dutch real estate bubble busted the most speculative municipalities experienced that they had taken excessive risks requiring rigid austerities to balance their budgets. But, cheap finance from a state bank and supervision from the provinces and in some cases the central state prevented municipalities for bankruptcy.

As such, the Netherlands offers empirical evidence for an European variegation of the financialization of urban governance related to urban (re-)development. In line with the Spanish case (Coq-Huelva, 2013) financializing European urban governance is about close cooperation between (semi-)private real estate actors with pro-growth local governments (Molotch, 1993) actively adopting bureaucratic calculative practices and planning over optimism to profit from financialized real estate markets, and not, as in the United States, financial actors capturing urban governance. Consequently, the research agenda should not be as Peck and Whiteside (2016) suggest to research how financial actors through "intermediation, instrumentalization, institutionalization and intensification" (p. 239) capture urban governance. Instead, European studies on the financialization of urban government should revolve around the ways in which municipalities use specific instruments and related calculative practices that connect their finance to financialized real estate markets.

Flemish municipalities have a long history of financial autonomy and financial experimentation has been much more pronounced in the past. Fragmented, uncooperative state agencies and a lax attitude towards urban planning made private land owners and construction firms the prime producers of ever expanding sprawl. Accordingly, the shift towards neoliberal entrepreneurialism is less pronounced as urban governance already contained elements of entrepreneurialism. Victories of a right wing party in the late 1980s set in motion some political efforts to create urban policies to improve the conditions of the right wing voters who lived in deprived urban neighbourhoods. Whereas the first wave of state supported urban (re-)development was distinctively social in nature with many social innovative projects (Christiaens et al., 2007; Moulaert et al., 2005; De Decker et al., 2005), from the late 1990s onwards entrepreneurial initiatives started to play a more dominant role (Loopmans, 2008;

Loopmans et al., 2010). Whereas autonomous municipal real estate corporations were first invented and massively used for tax purposes, in the early 2000s they became in larger cities often crucial vehicles to steer urban (re-)development. Combined with PPPs that are used also in smaller towns this not only connects municipal finance closely to local real estate markets, it also moves the decision making process away from City Councils towards the realm of public and private real estate ‘professionals’. As Flemish real estate prices have, since the early 1990s, been continuously rising and many municipal initiatives are loss generating, it is difficult to observe is excessive risk are token. However, elements as sophisticated risk management and basic information about valuation and market developments are largely absent within these bureaucratic entities.

As such, it is surprising how close Flemish entrepreneurialism resembles practices observed in the United States during the 1980s/1990s with similar growth coalitions and opaqueness around decision making procedures. This finding opens up future investigations into the temporality of dominant trends within urban governance elsewhere in Europe: why have the American model, and to a lesser extent the Dutch model, evolved from an entrepreneurial mode into financialized modes while in Flanders enterpreneuralism remains dominant? For doing so, a daunting next step in the analyses would be to place these changes in the wider studies of structural change within urban political economies: to also study urban economies and the extent to which financialization and entrepreneurialism are observable in local accumulation dynamics (Martinelli et al., 2013; Savitch and Kantor, 2002). In other words, to ‘update’ the seminal work of Terhorst and Van Den Ven (1997) by putting financialization in. Moreover, in line with for instance Kirkpatrick (2016), this would allow a richer conceptualization of the possibilities for contestation by, for example, conceptualizing about the realm for counter-hegemonies and ‘double movements’ (cf. Polanyi, 1957).

In conclusion, and summarized in Table 6.3, new municipal instruments to steer urban development have transferred activities that were formerly conducted by private actors, in the Dutch case land speculation, in the Flemish case primarily asset management and project management, to municipal organisations that operate relatively autonomously and are primarily steered by Municipal Executive Boards. As such, the debate how these instruments could be used for public good creation has become less relevant: urban projects are more steered towards the wishes of private actors, such as real estate buyers and developers, in order to make the municipal real estate organizations financial feasibly, or, sometimes, even profitable. Consequently, important risks related to these real estate activities are now connected to municipal finance whereby a sophisticated understanding of these risks, let alone management of it, is often lacking. In the case of Apeldoorn, where also much debt was adopted and the Municipal Executive Board demanded an unrealistically high revenue, this accumulated into losses of roughly €200 million at the costs of public service provision.

7. Conclusion

As part of the larger REFCOM project this PhD thesis shared the broader aim to better understand the increased interconnections between finance, real estate and state agencies and how this structurally transform domestic and urban political economies, i.e., to better understand "the spatialities of contemporary capitalism" (Aalbers, 2013a, p. 1). It did so through putting the financialization of urban development, understood as financialization processes that structurally change the ways in which urban development takes place, central. At the onset of this dissertation, it was expected that, since their similar extensive financial balance sheets and Eurozone membership, the cases of Belgium/Flanders and the Netherlands would offer insights on two different, European, variegations of the financialization of urban development.

Through answering the research questions that led this PhD thesis this conclusion argues that financialization processes are uneven and variegated, but not, omnipresent across the West. Accordingly, to understand the financialization of urban development it must be analyzed through a political economy perspective that is sensitive to context and scale, and includes a thorough understanding of planning traditions. This also requires a perspective that acknowledges both the multiple layers and scales of financialization processes and that its "penetration" (Engelen et al., 2014) in a certain domain or organization does not automatically mean that a political economy is fully financialized.

Chapter 2 indicated that both finance and real estate have become important elements within both political economies of the Netherlands and Belgium, thus suggesting the rise of financialized capitalism. Then, chapters 3 through 6 showed that, in regard to urban development, different outcomes have been observed in the Netherlands and Belgium. As discussed in more detail in the following sections 7.1 and 7.5, and in line with previous studies (Aalbers, 2008; Engelen et al., 2010; Engelen et al., 2014; Aalbers et al., 2011; Engelen, 2015; Bezemer and Muysken, 2015; Aalbers et al., 2017; Fernandez, 2011; McCarthy et al., 2016), the Dutch case proves to be a clear example of the manifold ways financialization can structurally change practices in non-financial realms. As such, the Dutch case demonstrates what happens when a system is almost fully incorporated into financialized capitalism. In this respect, the integration of real estate (production) into financial markets enlarges both the creation and evaporation of stocks of fictitious capital-making accumulation cycles more depend on financial markets and thus more volatile.

There is some integration between finance and real estate in Belgium exemplified through the observation of financialization processes that are related to real estate (e.g., Immobel). Yet, financialization processes never accumulated to such an extent that financial actors, motives, practices or ideologies became dominant within the production of the built environment. As such, the Belgian case shows that financialization is not universal and ubiquitous across the West (cf. Christophers, 2015): as sections 7.2 and 7.4 discuss, patient capital can function as an important barrier.

As section 7.4 also shows how, taken together, both cases shed light on elements of the variegated financialization of political economies. But, both cases also show that to understand urban development in financialized times we need a much more sophisticated framework on how finance morphs urban development. Accordingly, section 7.5 discusses how within financialized political economies urban development could be understood as a process of "fictitious capital formation" (cf. AlShehabi and Suroor, 2016). Section 7.6 presents a framework applicable to both non-financialized and financialized political economies that could be an opening for developing a more nuanced understanding on the mixtures of capital providers that finance urban development. In this respect crucial starting points are the work of both Jane Jacobs (1961) who distinguishes between "gradual" and "cataclysmic" money and Deeg and Hardie (2016) who argue to put the "patience" of capital providers central.

7.1 The financialization of urban development

- **Research Question 1a) To what extent is the financialization of urban development observable in the Netherlands? And, how does it take place?**

As argued throughout this doctoral thesis, in the Netherlands urban development is highly financialized: the integration of financial and real estate markets has been so intense that, in tandem, they intensify economic cycles that highly depend on global (financial) markets. The open attitude of the Netherlands towards the financialization of the built environment primarily relates to a system in which urban planning, real estate investment and development is carried out by large (semi-) private corporations and public organisations (Buitelaar and Bregman, 2016). This cooperation rests on a long history with collective solutions that transformed a swamp that lays below sea level into a prosperous highly urbanized area (Halleux et al., 2012). Between the Second World War and the 1980s the Dutch political economy resembled many elements of Fordist economic development. This included urban planning led by central state agencies that aimed to equally redistribute wealth through geographically means and spur social housing production in order to solve the housing shortage, i.e., "spatial Keynesianism". At this time urban development profit margins for private actors were relatively low with both local and central state agencies strongly in the lead (Needham et al., 2011; van der Krabben and Buitelaar, 2011).

Since the early 1990s, a complex interplay of different factors started to change this model of urban development. A more general shift in which more market orientated policy solutions are prioritized is observable. In regard to urban development, European integration and the implementation of the Maastricht Treaty set in motion the (semi-)privatisation of many real estate activities within varying realms, ranging from social housing to commercial real estate development. These new, semi-private entities often emphasized other goals than ‘wealth distribution’ and were open to (financial) innovation (Boon and Marel, 2010; Aalbers et al., 2017; Engelen et al., 2014). Also, due to widening profit margins (see below) and re-regulation, real estate development and land speculation became profitable activities that opened urban development for (semi-)private corporations. Municipalities, that are allowed to profit from increases in land value, were very eager to facilitate “over-optimistic” urban development (Janssen-Jansen et al., 2012; Buitelaar, 2010; van der Krabben and Jacobs, 2013).

This over-optimistic urban development was facilitated by an enormous influx of capital into real estate activities. Domestic real estate debt production became crucial input for the growth model of Dutch banks. On the one hand, banks lobbied successfully for reforms that both relaxed mortgage conditions and smoothed the securitisation of mortgages, thus enabling banks to grow and internationalize rapidly. These reforms combined with economic growth, increased labour market participation and increased home-ownership, spurring both housing prices and housing debt. (Aalbers, 2011a; Engelen, 2015). On the other hand, banks started to loosen borrowing conditions to real estate actors, and, also they started to participate in real estate development themselves. Moreover, with growing investment portfolios of Dutch institutional investors that still invested partly in Dutch real estate and the entrance of foreign investors, there was enduring demand for investment properties. Thiscontinuous influx (until 2007) of capital caused a long boom in real estate prices whereby all actors involved started to behave opportunistically and ‘manically’ (Kindleberger, 2000).

In this context of neoliberalizing state agencies and financializing real estate markets, real estate development corporations started to adopt financialization tools and expanded rapidly, then giving birth to some of the largest European developers. Developers’ business models revolved around both increasing their corporate values and the value of their development projects, thereby paying less attention to actual cash flows. Debt was used to leverage their corporate and project values. This made their business models very dependent on the belief that future developments would be profitable enough to pay back their large loans and would then justify the opportunistic valuation of their corporations. These values were, as the credit crunch in 2007 revealed, highly dependent on the continuous influx of new money (both debt to finance their own activity and investment capital to be able to sell properties to real estate buyers) and, as the enormous devaluations after 2007 showed, imaginary to a considerable degree.

In this new, financialized mode of urban development, supra-local state agencies regulate a sophisticated planning system that facilitates large, complex real estate development projects that are often aiming to develop large districts. This requires close cooperation between various actors thereby paving the way for financial actors to finance these large projects that had, as long real estate prices rose, the predictable, positive results in the form of profits (Taşan-Kok, 2010; Buitelaar and

Bregman, 2016). As these profits were shared, also with municipalities, actors developed close ties and had incentives to prioritize the profitability of projects in particular as the municipal real estate organizations (i.e., land banks) operated in great autonomy (Gielen and Taşan-Kok, 2010; Janssen-Jansen et al., 2012).

On the one hand this financialized model of urban development strongly relied on continuous real estate debt creation. On the other hand, with the large influx of finance into real estate, real estate had become an important element of the Dutch political economy. This required that, to sustain economic growth, urban development should keep pace. As a result, and in line with countries as Spain and Ireland (cf. Coq-Huelva, 2013; Byrne, 2016), urban development and debt-fuelled real estate markets had become important engines for economic growth: a real estate finance driven growth regime was established (Hofman and Aalbers, n.d.; Smart and Lee, 2003). As such, the perspective switched from an emphasis on the use of value of the built environment towards an emphasis on its exchange value, thus prioritizing investment logics (Chiapello, 2015). This belief is embedded within a political economy characterized by powerful central state agencies able and willing to reform if that improves the county’s economic profile, labour unions that emphasize economic growth, large pension funds active on international financial markets, and large multinational corporations with an international orientation (Engelen et al., 2010; Bruff, 2011).

7.2 The non-financialization of urban development

- **Research Question 1b) To what extent is the financialization of urban development observable in Belgium/Flanders? And, how does it take place?**

Although there are financialization processes (Romainville, 2017; Deruytter and Derudder, 2015), finance is not dominant over Belgian urban development. As such, the Belgian case offers insights on barriers towards the financialization of urban development. These barriers relate back to Belgium’s long history with private ownership and management of both land and financial assets (Kesteloot and Maesschalck, 2001). In contrast to the Netherlands, wealth management is primarily an individual project and many households invest in housing and Belgian firms/bonds. Usually, they do so with a long-term investment horizon that also takes non-financial goals, such as reputation and socio-economic wealth, into consideration (Daems, 1998; Molly et al., 2012). Also, fragmented land-ownership and a complex, layered state have stood in the way of the establishment of a strong urban planning system (De Decker et al., 2005; Van Den Broeck and Verachtert, 2016; Taşan-Kok, 2010). The resulting sprawling built environment is characterized by fragmented investment and piecemeal developments that do not need large external capital provision and professional, technocratic actors to direct them. Consequently, until fairly recently, the largest amount of housing was produced through the self-provision of households, often in cooperation with small construction firms (Ruimte Vlaanderen, 2016; Halleux et al., 2012).

In addition, real estate developers, usually with familial block-holders, are often resistant to external capital and corporate value growth: they aim to reproduce multi-generational wealth in a stable manner, while primarily focusing on stable revenue and a solid local reputation (Lehrer and Schmid, 2015; Lehrer and Celo, 2016). Therefore, developers remain relatively small and locally orientated, thereby not opening up for financialization processes. They are focused on the regular production process and aim to maximize profits through minimizing costs and maximizing revenue by consistently working to develop the largest amount of square meters allowed. Furthermore, whereas the securitisation of real estate debt became a crucial element of Dutch banks' growth models, Belgian banks instead turned to inter-bank lending on global financial markets in order to spur their internationalization and then continued a relatively stable debt production towards Belgian real estate activities.

Also, in Belgium a clear neoliberal turn can be observed around the year 2000. But, facilitated by ineffectual state agencies and opposed by strong labour unions, this turn seems to have enabled less pronounced neoliberalization and much less pronounced financialization processes (Loopmans, 2007; Van Den Broeck, 2008; Kesteloot and Maesschalck, 2001). In regard to urban development, as private actors were already dominant and state funding towards, for instance, social housing, was limited, the room for this shift to have a considerable impact thus seems to have been much smaller: change is more incremental (Lindblom, 1959). What is clearly observable, however, is a shift in funding since the 2000s, , whereby public funding is used to regenerate residential properties in disadvantaged neighbourhoods, in hopes to spur urban regeneration.

Nevertheless, urban development projects still remain to be of relatively small size and the projects usually take a relatively long time to be completed. Furthermore, although municipalities have become more active on local real estate markets, their involvement is primarily based on attempts to improve neighbourhoods and make municipal real estate portfolio's more efficient and not the profit seeking behaviour observed in the Dutch case. In this regard, the dominance of patient capital seems to play a crucial role as it echoes the wider belief that real estate is a proper investment category. The dominant view is that real estate investment means object-oriented investing: characteristics of a property such as it letting potential and use value are, in general, much more important than how the potential property value is evaluated by other investors. This belief is embedded within a political economy and characterized by the regionalization of public policy and state agencies, a local orientation of many domestic firms, the strong position of labour unions, ineffectual, fragmented state agencies that lack power to reform, and opaque governance structures that only seem to allow small incremental changes (Quentin and van Hamme, 2011; Moulaert and

Willekens, 1985; Stouthuysen and Jans, 2009; Oosterlynck and Swyngedouw, 2010). Within the Belgian political economy real estate is conceptualized as individual investment that needs protection; financializing it to spur economic growth at the domestic or federal level apparently has a lower priority (De Decker et al., 2005). Therefore, it is difficult to observe a financialization of urban development.

7.3 The variegation of financialization processes related to urban development

- **Research Question 2) Are there important differences in the way the financialization of urban development takes place in the Netherlands and Belgium/Flanders? How and in what ways are these differences context specific?**

Table 7.1 gives a stylized summary of the main results of chapters 3 to 6 and tries to indicate which domains within political economies play a role in facilitating or hampering the financialization of urban development. Highlighting the role of the different actors helps to better understand possible causes for the difference between the relatively low financialization observed in the Belgian/Flemish case and the high levels within the Dutch case. Four of these context specific differences, that are interrelated, seem to be “necessary conditions” (cf. Goertz and Mahoney, 2005) and should be taken into account in any future studies on this topic. It is less clear if these four conditions are, when taken together, also sufficient for the financialization of urban development:

State agencies’ abilities to facilitate neoliberal policies that underpin financialization processes. In both countries a new, clear preference of state agencies for more market oriented solutions towards urban development has been extensively described (Loopmans, 2008; De Decker, 2011; Hajer and Zonneveld, 2000; Taşan-Kok, 2010). In the Dutch case this included the extensive national re-regulation which facilitated the debt-fuelled growth of real estate markets (Aalbers et al., 2011), and a new urban planning paradigm that emphasized economic goals and openness towards private actors (Taşan-Kok and Korthals Altes, 2012; van der Krabben and Jacobs, 2013; Buitelaar, 2010). This received a warm welcome by municipalities as it enabled them to co-profit from urban development (Janssen-Jansen et al., 2012; Segeren et al., 2005). At the same time, centrally organized, cooperative state agencies that shared an ‘optimistic’ view on the future and played a directive role in urban planning were crucial to implement this new regulation dynamic (Doucet, 2013; Terhorst and Van De Ven, 1997; Taşan-Kok, 2010). Accordingly, this meant a clear break from previous practices in which urban development was more oriented towards goals of equality that were associated with spatial Keynesianism such as the geographic redistribution of wealth.

Table 7.1 Financialization of urban development: role of different actors (pro or contra financialization)

	Belgium/Flanders, barriers towards …	The Netherlands, openings for …
Financialization RE markets	*Medium*	*High*
Financialization urban dev	*Low*	*High*
Household's assets	*Contra:* individual wealth management, (patient capital): risk averse investment strategies, domestic oriented portfolio's including direct real estate and land	*Pro:* institutional (impatient capital): Anglo-American investment strategies, international portfolio's including real estate shares
	Contra: high housing wealth and low mortgage debt	*Pro:* high housing wealth and high mortgage debt
Banks	*Pro:* strongly connected to global finance	*Pro:* strongly connected to global finance
	Contra: banks not using domestic real estate to accelerate growth: stable debt production	*Pro:* domestic real estate crucial to accelerate growth: volatile debt production mimicking financial markets
NFCs, Real estate development corporations	*Contra:* familial shareholders (PC); local orientation; avers to rapid growth/high levels of debt; focus on stable dividend; relatively small projects	*Pro:* different types of owners (including banks/institutional investors) but primarily acting opportunistically, usually internationally oriented, focused on larger projects and corporate value increase.
'Central' State	*Contra:* regionalized, fragmented state: weak facilitator of neoliberalization processes	*Pro:* centralized, strong state: strong facilitator of neoliberalization processes
State: Urban Planning	*Contra:* weak planning institutions, piecemeal, small simple (sub)urban development projects; increased preference market oriented solutions	*Pro:* sophisticated, large, complex (sub)urban development projects based on optimistic visions for the future; cooperation between many (semi-)public and private actors
Local state/municipality	*Pro:* prioritizing market oriented solutions *Pro:* entrepreneurial attitude: participates on local RE markets *Contra:* but relatively small financial risks	*Pro:* prioritizing market oriented solutions
		Pro: entrepreneurial: very active on local land markets both as planner and speculator, large financial risk taking through municipal land banking

The Belgian state, due to its strong "centrifugal dynamics" (Stouthuysen and Jans, 2009), was never successful in implementing "spatial equalisation" policies, neither in industrial policy (Oosterlynck, 2007) nor in urban development, where it was impossible for state agencies to contest the dominance of private actors (Halleux et al., 2012; De Decker et al., 2005; van Criekingen and Decroly, 2009). As such, the room for urban development to 'open up' to private actors was much smaller as private landowners, developers, construction firms and households already were powerful actors within urban development. Nevertheless, both local and supra-local state agencies adopted a more entrepreneurial stance towards urban development which was exemplified by the rise of more public - private partnership and more urban oriented developments in higher densities and of larger scale. However, weak, fragmented state agencies were not able—or willing(?)—to transform local regulation dynamics in a way that it would enable financialization. Accordingly, a Belgian-like real estate market with many small, private, locally orientated actors seemed to be less prone to financialization than a Dutch-like real estate market with many large, internationally oriented actors.

Therefore, it comes to light that, to facilitate the financialization of urban development, strong state agencies that are willing to reform in the favour of financial actors are a crucial condition.

Dominant types of capital provision. In line with Deeg et al. (2016) this dissertation has put the practices of capital providers central in order to better understand changes in urban development. There are problematic elements to categorizing entire groups of actors on this continuum of patient to impatient whereby patience refers to the prominence of long-term goals that also include non-financial goals and impatience refers to the prominence of short-term, financial goals. Nonetheless, the idea that there are many different sources to finance urban development but that these still can share certain goals should be taken seriously.

As argued in more detail below, in the Dutch case, the behaviour of impatient capital providers led to capital flowing into new districts in large sums, considered to be "cataclysmic money" of which the providers had an abstract vision on cities that was primarily based on financial parameters (Jacobs, 1961; Aalbers and van Loon, 2017; Bieri, 2015). In the Belgian case many development projects are of a relatively small size and usually, for a considerable part, financed by individuals and funds that have a local orientation. Combined with the long duration of projects and the piecemeal approach, this patient capital consequentally flows in a more gradual way into (sub)urban districts.

Openness of all involved actors to adopt financialization tools. As the literature on financialization is primarily focused on cases where financialization did take place, its perspective on agents that are less willing to adopt financialization tools is less clear. With respect to urban development, there are also many actors involved that have wider goals and are thus less interested in financial instruments that help to increase financial profitability. This indicates that analyses should distinguish between the different motives and actions of the actors involved in urban development, but, also to processes–i.e., financialization, neoliberalization—that create interconnections between them. As this PhD thesis showed, when countries are compared, the openness of actors towards the adoption of financialization tools can differ greatly. In the current study, it was shown to be (very) high in the Netherlands and much lower in Belgium.

Size of development projects. The Dutch case showed that large scale, semi-public urban projects that are capital intensive and require close cooperation between various real estate, financial and state actors are much more prone to financialization processes than small, piecemeal, private-led development projects that are dominant in the Belgian case (cf. Bieri, 2013).

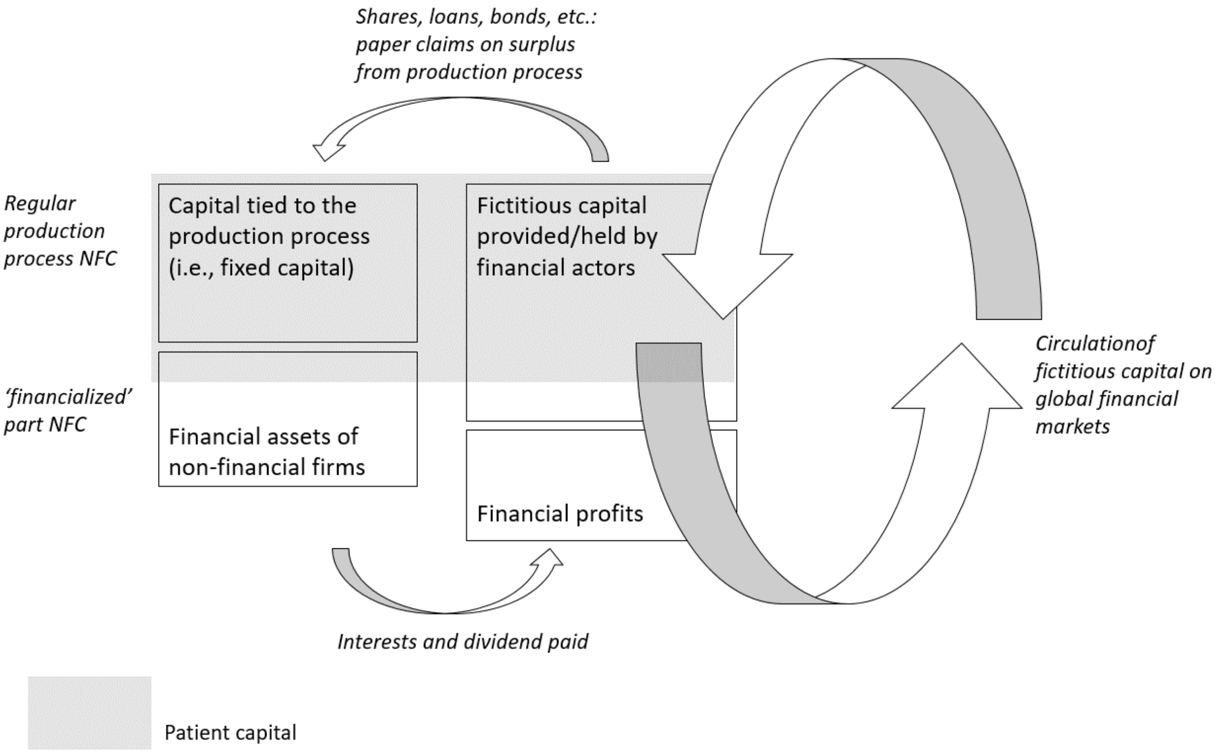
This examination gives rise to an interesting question, especially as more recently financialization processes related to residential real estate and infrastructure do seem to appear in Belgium. This includes a strong increase in housing prices that is partly the result of the introduction of mortgage interest rate deductibility and securitisation (Romainville, 2017; Deruytter and Derudder, 2015; Winters and Van Den Broeck, 2016; Damen et al., 2016). Namely, whether Belgium with its slow regulatory dynamics caused by a thick and complex web of institutions just ‘lags’ behind when it comes to the adoption of new phases of capitalism, or, that the causes for non-financialization are so deeply rooted in its political economy that Belgium will retain its distinct, different pathway of urban development discussed above. To elaborate on that, the next section zooms out, to look at how this doctoral thesis contributes to a better understanding of the openness of both political economies towards the rise of financialized capitalism.

7.4 Variegation within domestic political economies

This PhD thesis shows that even in a context in which two political economies are embedded in the same currency zone and subject to the same monetary policy, capitalism can still function differently. Accordingly, we need a critical political economy perspective that can both account for existing geographical differences and the rise of financialized capitalism. As such, “variegation” (Dixon, 2011; Brenner et al., 2010), which urges us to analyse how global developments interact with the existing structures of urban and domestic political economies, is a fruitful approach.

Instead of developing a comprehensive analysis of two political economies this doctoral thesis has focused on urban development, and studied urban development through different cases whereby non-financial corporations have been at the centre of the attention. As a result, the two crucial theoretical concepts to explain the (non-)financialization of urban development, patient capital and fictitious capital, derive from theoretical fields that put the functioning of non-financial corporations central in studying how capitalism functions (cf. van Treeck, 2009; Deeg and Jackson, 2006). It is acknowledged that other domains, such as institutional investing and real estate, have risen as important elements of political economies that are not necessarily directly attached to the production process. In spite of that, to discuss the interplay between patient capital and fictitious capital Figure 7.1 presents a conceptualization of the role

Figure 7.1 Conceptualization of fictitious capital in financialized capitalism



of patient capital within both financialized and non-financialized firms. Capital flows related to the production process of firms tie together both the theorizing on patient capital and fictitious capital.

So, at the firm level, the financialization of non-financial corporations shows that the production processes now absorb much more fictitious capital than only the debt and equity needed to enhance the production process, and thus, to increase surplus value. In financialized capitalism, corporations *also* use fictitious capital in order to trade in financial assets and thus generate *not only* surplus value *but also* pure financial profits. In other words, also non-financial corporations now make money "from money (or from financial instruments) rather than from production" (Godden, 2011, p. 853). As a result, future—rather than historical—cash-flows become increasingly important urging to validate assets and liabilities on 'market value' (Perry and Nölke, 2006). This validation rests on a calculation of future income stream which is not only much more unpredictable than the valuation models suggest, but, this anticipation on future income streams also gives rise to new financial markets that help to insure against uncertainty, such as derivatives markets.

Crucially, there are not only important geographical differences in the adoption of financial assets and instruments to enhance financial profitability by firms, but also, within economic sectors of a country firms can operate in very different ways (Lehrer and Celo, 2016). In this respect, both internal (i.e., equity) and external (i.e., debt) capital provision towards firms create crucial connections between finance and the ways in which firms operate. A useful way of looking at both debt- and equity providers is to analyse their patience, their commitment to invest long-term and also include non-financial goals into their considerations (Deeg et al., 2016). In this regard, patient capital can form a crucial barrier that prevents the stretching of a corporation's financial balance sheet, thus hindering the expansion of financialized capitalism. As the case of Immobel showed in chapter 5, this is not about the non-adoption of financial assets and instruments, it is about mechanisms and structures within corporations that prevent financialization tools to make finance dominant over a corporation's strategy. In the case of Immobel, concessive block-holders hampered financialization by changing the corporation's strategy once financialization tools were becoming too dominant. Chapter 5 also shows that, at the level of the individual firm, the patience of capital providers can vary, and, chapter 4 showed that at the sector level complex mixtures can exist.

Therefore, theorizing on the variegated financialization of domestic political economies means acknowledging differences, not only between countries but also within countries, domains and actors. However, this does not exclude howcertain trends can become dominant (cf. Moulaert and Jessop, 2013). For example, it is striking how different the pathways of the Netherlands and Belgium are in urban development, and yet how similar their banking history is. As non-financial corporations are only one actor within a political economy, it is crucial to theorize more on the interplay between different forms of capital provision among other actors (e.g., households, the state, financial institutions) and how these shape political economies.

In this regard, the enormous creation of fictitious capital/financial markets seems to urge a critical re-thinking of Marxist theory, by acknowledging the new power of finance (Bryan et al., 2009; Fine, 2013). For instance, excess capital such as horded surplus, money capital and idle cash is not "held up" (Harvey, 2006) anymore: it has become an independent force that, through financialization processes and the active support of states, structurally change the functioning of political economies. Crucial parts of this new financial realm and all its interconnections are still un-mapped, un-discovered territory. We are in dire need for more empirical mapping and theorizing on the 'finance' that drives the expansion of 'financialized capitalism' (e.g., Fichtner, 2016).Through zooming in again on urban development, the next two sections will subsequently put fictitious capital formation and the diversity of capital provision forward as crucial terrains which can further our understanding of the role of finance, steering non-financial spheres, such as urban development.

7.5 Fictitious capital formation driving financialized urban development

- **Research question 3) How does financialization structurally change urban development?**

Reflecting on the Dutch case helps to show how the rise of financialized capitalism transforms the production of the built environment because it is a European variegation of a highly financialized political economy. As argued below, the willingness of capital providers to provide abundant capital and the willingness of developers, municipalities and real-estate buyers to receive high levels of fictitious capital made fictitious capital formation crucial for urban development. The resulting integration of real estate and financial markets structurally changed urban development by making, in line with the case of Chicago (Weber, 2015; Weber, 2010), the pace of urban development, which depended on volatile, global financial markets.

Useful indicators to measure the pace of urban development in other contexts are value or square meters of new building permits and the (value of) square meters of realised new properties. Useful indicators to measure the extent to which urban development is financialized are:

1) *the influx of impatient (both debt and equity) capital to real estate developers* which is exemplified by outstanding debt to the development sector; the height of LTVs on development projects; impatient capital providers buying (stock in) developers; outstanding complex financial instruments to developers (e.g., derivatives).

2) *the influx of impatient capital (both debt and equity) to purchasing new properties* (i.e., the financailization of real estate markets) exemplified by high LTVs of real estate investors (including home-buyers); high capital values (e.g., reflected through 'yield compression'); growth of real estate investment funds.

As for this PhD thesis reliable, comparative data sources were lacking, future, research projects could investigate the quantitative dimension of the financialization of urban development.For example, is there a certain 'tipping point' in impatient capital provision that makes financialization dominant?

Structural change also relates to the adoption of a shared convention that prioritizes the exchange value of real estate. In other words, in the Dutch case, a central "focus on the financial gains" has replaced object-oriented investing that focused "on what it is that is invested in" (Sayer in Clark, 2014, p. 393). Accordingly, whereas state urban planning institutes historically looked at urban planning as a 'public good provision' they now prioritize facilitating the development of properties that have investment value. Local governments shifted from being a local facilitator of national urban planning policies towards the realisation of land gains that helped to finance municipal entrepreneurial ambitions. Real estate development corporations used increased profit margins to leverage themselves and adopt a focus on corporate value and the investment value of projects. Banks transformed from relatively conservative lenders to active pushers for reforms to be able to over-borrow to real estate activities. Institutional investors shifted from a perspective in which real estate assets were partly based on social aims and local ambitions towards looking at only the financial dimensions of real estate investments. Home-owners willingly, and supported by rules that allowed for the deduction of mortgage-interest from income tax, adopted high levels of leverage, thereby spurring housing values and creating expectations of generating profits from their housing careers.

This new emphasis on the exchange value of real estate over its use value was combined with an increased willingness of all actors involved to take up high levels of debt. In particular until 2008, it was expected that real estate prices would always increase thereby allowing to not only pay back the initial borrowed sum plus interest, but also to extract a healthy profit for all actors involved. Thus, this shows how financialization structurally changes urban development through a massive take up of debt from all actors (ranging from developers to the buyers of real estate) involved in urban development. This ballooning of both debt and equity provision towards both developers and development-projects, can be looked at as fictitious capital, i.e. marketable claims “on the production of surplus value and on the perceived value of the underlying asset–both of which are relationally produced in time and space” (Pani & Holman, 2014, p. 218).

Fictitious capital is essential to capitalism as it provides capital “in advance, in anticipation of future labor as a counter-value” (Harvey, 2006, p. 266). Therefore, investment made with fictitious capital, such as in machinery or infrastructure, should improve the production process to create more surplus value so both the capital provider and borrower can extract a profit while the growth of capitalism is sustained. However, through investing, the capital becomes tied to specific uses while capital providers prefer liquid investments so they can switch easily once other activities seem to become more profitable. Fictitious capital enables easy switching as a piece of paper, e.g. shares and bonds, can be traded independently from the production process (Godden, 2011; Harvey, 2006). The prices of these papers or digital titles may then fluctuate according to their own laws “quite independently of the movement of the value of the real capital” (Harvey, 2006, p. 268), e.g. on stock exchanges. This distances investors from the objects they invest in as they primarily monitor them through their calculated, financial appearance (Theurillat et al., 2016)

As the Dutch case shows, even the value of conventional bank loans to an opportunistic developer as Multi (see chapter 4) can fluctuate heavily within years based on a turn of financial and real estate markets. As such, the financialization of urban development requires the continuous provision of fictitious capital in order to sustain development-project and property values. Accordingly, it requires market makers that convince fictitious capital providers that future income streams from urban development will be sufficient enough to cover both development costs and profits (AlShehabi and Suroor, 2016; Weber, 2015). However, always, the danger looms that the realised properties do not produce sufficient rental income or that household’s ability to borrow for more expensive houses is not strong enough to pay back the initial capital provided plus desired financial gains.

Or, in Minsky's terms', the danger looms that finance moves from no-risk funding towards high-risk "Ponzi" finance strategies in which the ability to receive back the capital provided *plus* a financial gain becomes increasingly illusionary (cf. Kirkpatrick, 2016; Monaghan and O'Flynn, 2012; Nesvetailova and Palan, 2013). Consequently and inevitably, financial crises hit, often triggered by an unexpected event, a so-called "Minsky moment" (Jessop, 2015): "moments when claims to value are no longer taken 'at face value' but instead fail to achieve liquid transferability into other forms of capital" (Haiven, 2011, p. 115).

As such, ultimately, the financialization of urban development closely ties financial markets with real estate markets and thus makes real estate production much more volatile. Within financialized capitalism urban development now amplifies both up and downturns of real estate cycles, thereby creating intense periods of "over-building" (Weber, 2015) resulting in ghost towns and even ghost cities. Put differently, fictitious capital has become so dominant over real estate markets that problems within fictitious capital circulation can cause huge shocks in real estate markets. Once the mechanisms that facilitate the continuous production of new fictitious capital halt, financialized urban development comes to a standstill. Or, the other way around, financial innovation or loose monetary policies that stimulate fictitious capital formation bring urban development booms to new heights (cf. Harvey, 2011; AlShehabi and Suroor, 2016). Consequently, financial markets and monetary policies, instead of urban planners and government regulators, start to dictate the direction and pace of urban development.

Financialized capitalism manifests itself through the built environment, not only through the financialization of urban development but also through the financialization of real estate investment that is discussed in the following paragraphs. The financialization of urban development and real estate investment can be so powerful that 'managing' real estate/financial cycles becomes a main political priority. Accordingly, quite similar to neoliberal capitalism, the spread of "financialized conventions" (Chiapello, 2015) is observable across domains, actors and even countries, thereby unifying a diverse array of actors in a prioritization of financial "practices, measurements [or] narratives" (Aalbers, 2017a, p. 3). The Dutch case, and possibly other countries where 'real estate mania' and financialization are clearly observable (such as Ireland (Byrne, 2016), Spain (Coq-Huelva, 2013), Bahrein (AlShehabi and Suroor, 2016) and Anglo-American countries (Weber, 2010; Rutland, 2010)) indicate that "financialized capitalism" (Lapavitsas, 2009; Moreno, 2014) seems to be a more proper term to describe contemporary capitalism than "neoliberal capitalism" (Fine, 2013; Peck et al., 2009) as fictitious capital formation has become the crucial driving force.

First, with the continuous influx of investment capital searching for an outlet to be invested in (Leyshon and Thrift, 2007; Fernandez and Aalbers, 2016; Clark and Hebb, 2004), the sheer size of global financial markets has risen to unprecedented proportions (Bain Capital, 2012; Fichtner, 2016). As such, there is continuous pressure on activities, things and spheres to be commodified into tradeable, financial assets: into fictitious capital. Accordingly, a new dimension of financialized capitalism arises, where finance penetrates much more than only the regular production process. As described by Harvey (2006): large parts of state tasks have become commodified and financialized as for instance studies on social housing and infrastructure illustrate (Ashton et al., 2016; O'Neill, 2013; Allen and Pryke, 2013; Fields and Uffer, 2014; Aalbers et al., 2017). Large parts of the built environment are now approached as outlets for capital instead of as properties that are fixed to the regular production process, or that facilitate the reproduction of labour power. This requires new conceptualizations on the working of fictitious capital within a critical political economy framework. What are the implications of fictitious capital, instead of government investments whichbecome (within many highly financialized political economies) critical requirements for social expenditure? What does it mean when paying back the original sum plus interest/dividend does not rely on surplus-value creation, but on educating teenagers, housing the poor or caring for the elderly? And, taken the tendency of real estate finance to act in a Ponzi-like-manner combined with current high global debt levels, what happens when only a minor part of the fictitious capital stock can be repaid? From a RA-perspective the 'finance-led regime' could be seen as the final phase of American world hegemony. Accordingly, to study historic comparisons with previous hegemonies (Great Britain, the Netherlands, Italian city states) could be extremely interesting (Arrighi, 1994; Boyer, 2000).

Second, with the ballooning of financial markets, reinforced in recent years by loose monetary policies, the tendency of paper claims to fluctuate according to their own laws has increased tremendously. As both the production of and the investment in/buying of real estate is a rather capital intensive practice, real estate has proven to be an extremely interesting outlet for ballooning financial markets and financial innovation. In this regard, the financialization of real estate through the invention of REITs, securitisation and specific urban designs (Guironnet et al., 2016; Gotham, 2006; Lizieri and Pain, 2014; Bieri, 2013; Aalbers, 2008) helps to satisfy the desires of financial actors. It also enlarges financial markets even further. However, with the globalisation of finance and real estate (investment) markets, the diversity of investors has also increased considerably, thus setting in motion interesting interactions. For instance, this instigates interactions between local real estate actors that remain a distinctive local focus and global players. Therefore, the next section will argue that we need a much more profound understanding of these actors and the ways in which they finance, and thus steer urban development.

7.6 Towards a more nuanced understanding of capital flows to urban development[13]

> Money is a powerful force both for city decline and for city regeneration. But it must be understood that it is not the mere availability of money, but how it is available, and for what, that is all important. (Jacobs, 1961, p. 291)

In line with a recent study on Bahrein (AlShehabi and Suroor, 2016), the Dutch case illustrates how the sheer size and related power of finance makes fictitious capital formation dominant. This thus distinguishes financialized capitalism from neoliberal capitalism with the built environment as a crucial catalyst. However, the Belgian case clearly shows how practices related to the built environment can also form a barrier towards the rise of financialized capitalism. In this regard, it is very promising that so many recent studies take the financial dimensions of urban development seriously, consequently creating new sophisticated, insights on urban development while alsoshowing the powerful role of financialization processes in a wide range of different contexts (Kutz and Lenhardt, 2017; AlShehabi and Suroor, 2016; Gonzalez and Oosterlynck, 2014; Fernandez et al., 2016; Hofman and Aalbers, n.d.; Mosciaro, n.d.; Yrigoy, 2016; Coq-Huelva, 2013; Ward, n.d.; Halbert and Attuyer, 2016; Halbert et al., 2014; Zhang, n.d.; Di Feliciantonio, 2016; Di Feliciantonio, 2017; Gert Jan Wijburg and Aalbers, 2017; Patatouka, 2015; Stroher, 2017). Nevertheless, we, as urban studies scholars, still need to develop a much more sophisticated view on variety in capital provision and how these various capital providers influence urban development (differently). In urban studies, there is a dire need to not only study how finance flows into cities, but, much more crucially, how finance morphs cities.

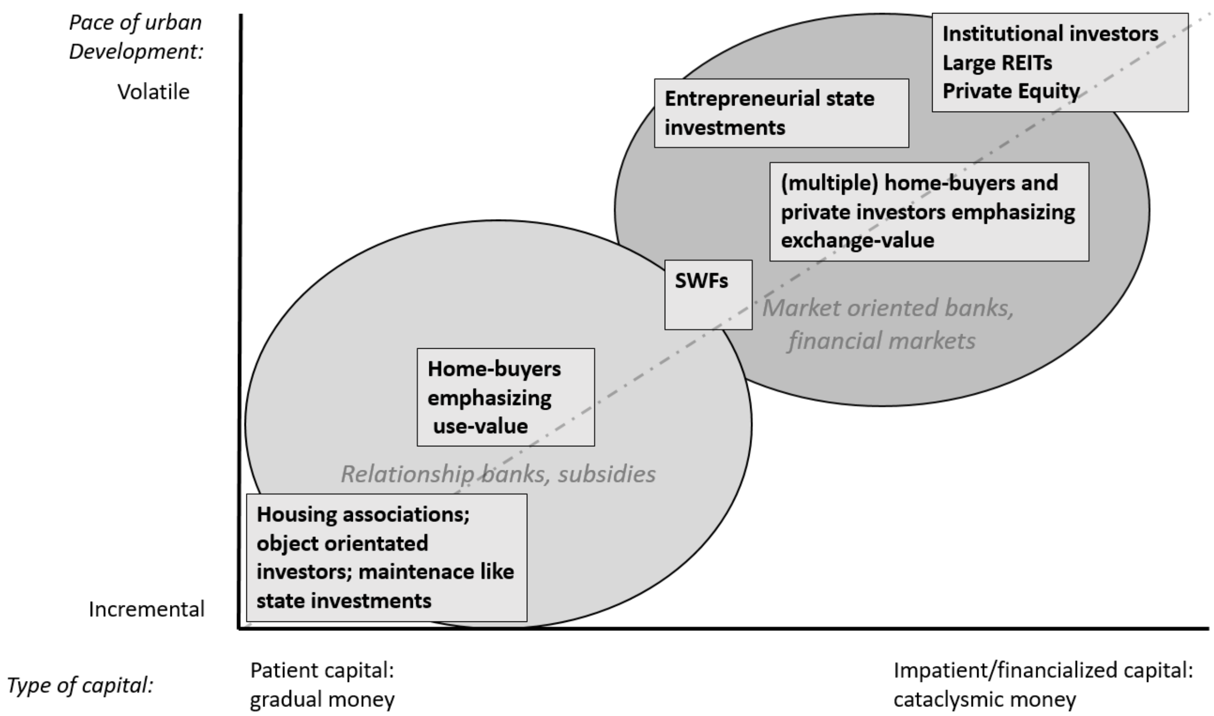
In this respect, it should be acknowledged that financialization can penetrate urban development through various actors that are important for urban development, that are real estate development corporations (Sanfelici and Halbert, 2015), urban governance (Kirkpatrick, 2016; Weber, 2010), real estate markets exemplified through the main buyers that are both households (Fernandez and Aalbers, 2016) and a wide range of investors (Guironnet et al., 2016; Lizieri and Pain, 2014; Gotham, 2006). And, there are complex relationships between these actors and other (financial) actors that need to be scrutinized throughout case by case analyses.

Nevertheless, to generate venues for future research, Figure 7.2 presents a stylized view by primarily focusing on financial flows towards urban development. Challenged by Bieri (2015), and previously explored by Aalbers & Van Loon (2017), Figure 7.2 brings Jane Jacobs' (1961) ideas on how "gradual money" and "cataclysmic money" shape urban *re*-development to the present by proposing that the patience of

[13] This section, including Figure 7.2, is an attempt to further develop ideas from a previous essay, Aalbers and Van Loon (2017). Accordingly, many elements of this section heavily draw upon that essay and discussions with Manuel Aalbers who also came with the underlying idea to, inspired by Bieri (2015), bring Jacobs' work to the present to study variety within capital provision towards urban development.

capital is the contemporary equivalent of gradual and cataclysmic money. Jacobs' work shows how two main financiers of urban re-development, banks and government agencies, can adopt a similar view on the built environment based on an orthodox, technocratic, Corbusier-inspired, urban planning ideology that ignores "lived space" (Aalbers and van Loon, 2017; Lefebvre, 1996). This paves the way for state-led modernistic interventions setting in motion a sudden influx of "cataclysmic money" that erases historic, diverse urban districts including their rich, lived spaces. The opposite, "gradual money", relates to piecemeal interventions by small actors, such as families, that develop, barter and hoard systems, but also 'invest' in free labour and sharing construction materials. Taken together, their efforts set in motion incremental urban growth, that, as Jacobs argues, adds rich layers to the existing urban fabric (Jacobs, 1961, pp. 290–317).

Figure 7.2 The more restless capital providers, the more volatile urban growth (?)



When we expand our view to include both urban development (and not only urban *re*-development) and non-American cities, it comes to the forefront that there is a wider range of capital providers that finance urban development. Also, in contemporary capitalism, the complexity of financial flows to urban development has increased dramatically. A first important change is the rise of large, real estate investors with international portfolios (i.e., institutional investors; large REITs, private equity; SWFs) that perceive real estate as 'just another asset class' (Gotham, 2006; van Loon and Aalbers, 2017; Lizieri, 2009). Second, the adoption of high levels of debt by both home buyers and certain groups of private investors leads to higher debt flows to housing markets, and thus, also to urban development (Fernandez and Aalbers, 2016; Schwartz and Seabrooke, 2008). Third, the neoliberalization of the state implies that state agencies increasingly act entrepreneurially, thereby aiming to put their cities and countries on the global map through large, capital intensive, prestigious urban projects (Swyngedouw et al., 2002; Lauermann, 2016).

On the one hand, and as suggested in Figure 7.2, in this conclusion I have argued that these financial actors, fed by marked oriented banks and global financial markets, spur the financialization of urban development by morphing it into a process of fictitious capital formation. This relates to a shared financial perspective that approaches complex, layered urban realities through seemingly reliable financial numbers, it puts “adjusted rates of returns” and “financial gains” central (Clark, 2014; Hebb and Sharma, 2014). Or, as investors discussed during a panel discussion of the Urban Land Institute in Brussels on May 10th 2016, they look for the “geographical diversification of their portfolio”, “affordable assets”, “risk curves”, “market Iiquidity” while also taking “entry barriers” into consideration. This abstract vision stimulates large scale urban development, or the influx of “cataclysmic money”, of posh residential towers, enormous shopping malls and mono-functional office districts. These are complemented by entrepreneurial state investments that are put into prestigious public infrastructures, such as opera-houses, mass-transit stations and bridges. These developments, designed by the same group of ‘stararchitects’ (e.g., Calatrava, Gehry), look similar everywhere, and either totally ignore, or even erase, the existing, closely knit urban fabric. Future studies should show if this dominance of impatient capital providers over urban development is also observable in other European countries with highly financialized (urban) real estate markets. Countries that would be interesting to study could include Denmark, Spain, United Kingdom, Ireland and Spain (Fernandez, 2016).

On the other hand, impatience looked as a continuum introduces the possibility of more variety both between and within different groups of capital providers. Put differently, although the main proposition Figure 7.2 puts forward is ‘the more restless the capital provider, the more volatile the urban development’, we should be open to diversity. In this regard, studies in other sectors that demonstrate how sovereign wealth funds are important providers of patient capital (which is more aimed at long-term developments) could be an intriguing starting point (Thatcher and Vlandas, 2016; Haberly, 2014). Is global, mobile capital flowing as cataclysmic money into urban districts more diverse than the examination above suggests? Put differently, do all capital providers have pure financial views on cities, or, are there also perspectives that acknowledge ‘lived spaces’ (cf. Aalbers and van Loon, 2017) or aim to realise geopolitical goals (Büdenbender and Golubchikov, 2016)? This also requires to further scrutinize the behaviour within certain groups. For instance, could there be differences between Arab and Norwegian sovereign wealth funds in the ways in which they approach financing urban development? Accordingly, the precise placement of actors within Figure 7.2 is simply a first suggestion, that future research should show to which extent actors placed in the same box show similar behaviour.

Looking at the other side of the continuum, patient capital providers have a more long-term investment perspective whereby the realization of many non-financial goals is also central. With respect to urban development, one could, for instance, think about housing associations that prioritize social goals through asking for below-market rentals, re-investing rental income into (disadvantaged) neighborhoods and only moderately leveraging their real estate portfolios (Boelhouwer and Priemus, 2014). Moreover, there are still also many maintenance oriented investments of 'non-entrepreneurial' state agencies that aim to facilitate the desires of local constituencies (Cox, 2010). In this regard, one could think of ordinary public amenities that are aimed at satisfying the need of local citizens at the neighborhood level. For example, basic swimming pools, small libraries and public schools. Also, not all housing markets have been financialized. Accordingly, there are still plenty of cities where household mortgages are only a small part of the money that is needed in order to spur development. In these contexts, personal savings and non-financial investments still play an important role. Moreover, these actors not only tend to work with lower amounts of external funding, but they also often obtain this from more patient external capital providers, such as relationship banks or state agencies.

Because of the long-term commitment of these capital providers and their deep local roots, their investments into urban development are much more attuned to the existing urban fabric. Moreover, as they are less capital intensive, they create the more continuous, incremental growth of cities, whereby the new urban layers are much more complementary to the existing city. Future studies should explore if the dominance of patient capital providers over urban development is also observable in countries with less-financialized (urban) real estate markets/stronger presence of family capital such as Italy, Greece, Germany and France (Fernandez, 2016). Nonetheless, in line with the discussion directly above, the diversity within these groups should be further investigated, as, for instance, many Dutch housing associations have moved towards more financialized and market-oriented practices (Lennartz, 2016; Hochstenbach, 2017; Aalbers et al., 2017).

All in all, the basic argument stipulated above is that the different time-horizons of capital providers influence the pace and scale of urban development to a great extent. But, this argument and Figure 7.2 is now primarily based on the experience in the Low Countries. It would be very interesting to develop specific figures for particular cities and relate them to real financial flows to districts. This would allow for the analysis of the mixture on a low level of scale and how this shapes urban development. Such an analysis should also show how the interplay between actors plays out differently, and what other elements play a role in making urban development incremental or volatile.

The recent wave of case studies scrutinizing financial flows around urban development could be a useful starting point (Halbert and Attuyer, 2016; Halbert et al., 2014; Coq-Huelva, 2013; AlShehabi and Suroor, 2016). However, these case studies are biased towards financialized projects and should thus be enriched with more research projects in areas with high potential for patient capital. Such work could help to develop a more comprehensive perspective that captures all relevant actors that tie capital provision to urban development. Through this, a better understanding of capital provision towards urban development is created, which is crucial as it enables critical scholars to contest dominant paradigms, and, finally (or hopefully) to answer Jane Jacob’s call:

> The forms in which money is used must be converted to instruments of regeneration—from instruments buying violent cataclysms to instruments buying continual, gradual, complex and gentler change (Jacobs, 1961, p. 317)

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Appendix I List of interviewees

In the list below, the function of the interviewee indicates the function he/she had at the moment of the interview. When relevant, previous functions are included. At the request of some interviewees their identity has been, to differing degrees, anonymized.

Interviews the Netherlands (chapters 3—5)

Interview 1 Partner of a firm holding a sizeable portfolio of Dutch RMBS, also partner in some firms related to the Dutch mortgage industry, partner in a firm providing short term finance to small Dutch real estate investors.
Interview 2 Nico Roozen, director and owner of real estate developer/investor NR vastgoed BV.
Interview 3 A strategic position within a larger real estate development corporation.
Interview 4 Senior and junior consultant at a real estate consultancy firm primarily working for institutional investors and housing associations.
Interview 5 Higher management in the trust industry.
Interview 6 A partner of a small real estate development corporation.
Interview 7 Real estate analyst at a large asset manager for Dutch institutional investors.
Interview 8 Frank van Beek, founder of Urban Concepts and non-executive board member of housing association Pré Wonen and Woongoed Zeist, previously, founder of developer Lingotto, manager real estate development at Amvest and the City of Amsterdam.
Interview 9 Risk Managers at a Dutch loan provider to real estate actors.
Interview 10 Paul Konings, Vice President at MSCI.
Interview 11 Rudy Stroink, partner at Dutch Spring, various commissionerships at (semi-)public organisations, previously founder and CEO of developer TCN.
Interview 12 Analyst of a mayor Dutch bank providing loans to real estate actors.
Interview 13 Rob Koning, director of the Dutch Securitisation Association.
Interview 14 Former director of one of the main loan providers to real estate actors.
Interview 15 Erik Jan van Kempen, director housing markets at the Ministry of the Interior and Kingdom Relations.
Interview 16 Roelof Kuik, director housing association Thus Wonen.
Interview 17 René Hogenboom, CEO of the private real estate fund Altera Vastgoed, previously director of developer Wilma Vastgoed and ABP real estate.
Interview 18 Dick van Seventer and Reinout Overbeek, directors at real estate fund Vastgoed Syndicering Nederland.
Interview 19 Frank van Blokland, director of the association of institutional investors into real estate, the Netherlands (*Vereniging van Institutionele Beleggers in Vastgoed*, Nederland; IVBN).
Interview 20 Wiggert Karreman, managing director of real estate investment manager APF international.
Interview 21 Jean Klijnen, partner in Panta Rhei Partners and CEO at Hartelt Fund Management, previously CEO at Bouwfonds REIM and manager global indirect investments real estate at ABP.
Interview 22 Roel van de Bilt and Maarten Donkers, respectively director and senior researcher at FGH Bank.
Interview 23 Kees de Boo, member of the supervisory committee of real estate fund Vesteda, previously director at various institutional investors with direct real estate holdings.

Interview 24 Henry Meijdam, various positions including director of the institute of environment and infrastructure (RLI, *Raad voor Leefomgeving en Infrastructuur*) and partner at Meijdam & Overmars.
Interview 25 Guido Verhoef, Head of Private Real Estate at PGGM/PGGM Investments, previously investment manager/director at various large real estate funds.
Interview 26 Jan Fokkema, director of the association of Dutch real estate development corporations, NEPROM (*Vereniging van Nederlandse Projectontwikkeling Maatschappijen*).
Interview 27 Heino Vink, various functions including CEO from 2011-2014 and currently COO at Multi: commercial real estate developer, asset manager and shopping center manager.
Interview 28 A manager within a listed real estate fund.
Interview 29 Paul Delbeek, Head section property sales, The Central Government Real Estate Agency, Ministry of the Interior and Kingdom Relations.
Interview 30 Staff member at the division of risk management and ALM, DNB (Dutch National Bank).

Interviews Belgium (chapters 3—5)
Interview 31 Manager and real estate consultant at a real estate consultancy firm that works for corporations and state agencies.
Interview 32 Director of a sizeable real estate developer and related real estate investment funds.
Interview 33 Filiep Loosveldt, juridical expert in urban planning.
Interview 34 Managing directorof a large listed real estate fund.
Interview 35 Jacky Scheerens, Director at real estate developer DMI Vastgoed.
Interview 36 Director of finance and the real estate portfolio of a sizeable municipal real estate corporation.
Interview 37 Marnix Galle, at the time of the interview CEO and majority shareholder of real estate developer Allfin, currently Executive Chairman and majority shareholder of listed real estate developer Immobel.
Interview 38 Kim Creten MRICS, CEO KBC Real Estate.
Interview 39 Daniel Beirinckx, Aareal Bank AG – Brussels Representative Office.
Interview 40 Head of the real estate finance department of a major loan provider to Belgian real estate corporations.
Interview 41 Director and manager at the urban planning institute of the Flemish region.
Inteview 42 Director real estate development and real estate developer at a larger real estate development corporation.
Interview 43 Peter Gestels, director real estate development at van Roey Vastgoed.
Interview 44 Dominique van der Span and Aurel Gavriloaia, both AG Real Estate, respectively Head of Real Estate & PPP Finance and Head of Office Development BeLux.
Interview 45 Philippe Van Wesenbeeck, Head of the urban development and urban planning service at the City of Ghent.
Interview 46 Stephan Sonneville CEO of, and shareholder in listed real estate developer Atenor.
Interview 47 CEO at a large residential real estate developer.

Interviews Antwerp (chapter 5)
Interview 48 Higher management financial department of the City of Antwerp.

Interview 49 Dries Willems, former director AG Stadsplanning and urban planning entities of the City of Antwerp.
Interview 50 Two experienced employees of the financial department of the City of Antwerp.
Interview 51 Jan Leroy, director of assocation for Flemish cities and municipalities (*Vereniging van Vlaamse Steden en Gemeenten)*, expert on municipal finance.
Interview 52 Griet Geerinck, currently expert on project- and City finance at AG Vespa (municipal real estate corporation), former director of AG Stadsplanning (municipal urban planning institute).

Interviews Apeldoorn (chapter 5)
Interview 53 Pauline Bieringa, Managing Director Public Finance at BNG Bank & Robert Bakker, Spokesman BNG Bank.
Interview 54 Maarten Koldewijn, controller of Apeldoorn's land bank & Marco Elshof plan economist with Apeldoorn's land bank.
Interview 55 Alex Elemans manager external auditing at the province of Gelderland, Ben Gesthuizen financial client manager of Apeldoorn at the province of Gelderland.